

**Philip G. Moscoso
& Alejandro Lago**

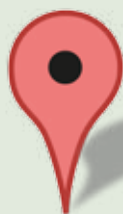
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IDEAS



SERVICES AND OPERATIONS

Put your Customer First

Philip G. Moscoso
and Alejandro Lago

16

CREDIT RATING AGENCIES

Are They Really to Blame?

Gaizka Ormazabal

20

HIGHLIGHTS

24

CROSSROADS

MBA

A LONG-TERM COMMITMENT

32



CROSSROADS

CAREER SERVICES

Opportunity Knocks

36



49TH ANNUAL MEETING OF THE HARVARD-IESE COMMITTEE

Developing Better Leaders

38

CONTINUOUS EDUCATION PROGRAM

Eurozone: Learning to Live Together

40

INTERNATIONAL FACULTY PROGRAM (IFP)

Educators Who Lead

42

AGENDA

48

ROYAL VISIT

THE PRINCE
AND PRINCESS OF
ASTURIAS VISIT IESE'S
NEW YORK CENTER



26

PEOPLE



TOMÁS GARCÍA MADRID (MBA '88)

"We have to commit ourselves to the future and future generations"

50

LUIS DE GUINDOS

"We have to share the burden of these changes"

54

MBA

Being Put to the Test

56

ALUMNAE CONFERENCE

The Feminine Century

60

EVAL GERBER (MBA '12)

Giving Newborns a Gentler Start in Life

62

COVER STORY

8

LATIN AMERICA: THE FUTURE IS NOW



LIFE

WSJ BREAKFAST SERIES

ANNE SWEENEY

68



LIFE

WSJ BREAKFAST SERIES

Carlos Ghosn

70

2012 AMP-PMD REUNION

Creativity, vision
and Innovation

72

IESE REGIONAL ALUMNI CHAPTER

Portugal: Kick-starting
the Economy

73

CHAPTER NEWS

74

YOU'RE IN THE NEWS

77

IESE & YOU

GLOBAL ALUMNI REUNION 2012

12 questions to resolve
in Sao Paulo

78

FINAL

MIGUEL A. ARIÑO

Power Hand in Hand
With Imagination

80



Index of Companies

Aernnova.....66	Fertinger.....72	MDE Business School.....46
Aldeasa.....8	Gerium Medical.....62	Nexenta Systems.....74
Altair Management Consultants.....77	General Electric.....26	Nile University.....46
Alzamora Packaging.....66	Grupo Prisa.....45	Oracle.....77
AkzoNobel.....8	Grupo Villar Mir.....50	Pescanova.....73
Avon.....8	Gucci.....36	Philips.....77
Banco de Crédito Internacional.....8	Harvard Business School.....44	Piazza.....74
Banco Santander.....8	Havas Media.....8	Princeton University.....64
Binaural.com.....77	IAE.....38	Prinzipal Partners.....77
Blackrock.....40	Iberia.....77	Renault-Nissan Alliance.....70
BMB.....74	iCarHire Insurance.....64	Repsol YPF.....8
BNP Paribas Fortis.....72	IDE.....38	SAP.....60
Booz & Co.....74	INALDE.....38	Schneider.....8, 46
Boston Consulting Group.....68, 70	Indomina Group.....45	Seeliger & Conde.....8
Capgemini.....74	Insead.....64, 66	Servebase.....64
CEIBS.....44	IPADE.....38	Sonae Sierra.....73
Developing Incorporadora.....8	Kellogg School of Management.....64	Sovena.....73
Dircom.....24	Lagos Business School.....38, 46	Strathmore Business School.....46
Disney/ABC Television Group.....68	Lapithus Servicing.....77	SURA.....8
EduClick.....77	LF Channel.....77	TiVo.....45
Electric City Entertainment.....45	Loews Corporation.....26	Tortilla.....64
Entelgy.....77	London Business School.....64	United Talent Agency.....45
Europapress.....45	Mandarin Capital Partners.....74	Univision.....45
Europastry.....66	MCTR Management Consultants.....60	Vestas Wind.....77
		Volkswagen.....66
		Vueling.....72
		Watson Industries Bevrages.....44
		Zara.....44

Index of Alumni

Alonso, Fernando (EMBA '97).....8	Haegemans, Luc (AMP '11).....72	Sacristán, Emiliano (PDD '08).....77
Arana, Lourdes (EMBA '92)....8	Ijichi, Ryota (MBA '13).....65	Sanz, Gonzalo (PDD '04).....74
Argüelles, José Miguel (MBA '83).....67	Jong, Jaap de (MBA '92).....8	Saraiva de Ponte, Nuno (MBA '05).....73
Bautista, Francisco (PDG '04).....77	Kelly, Patrick (MBA '01).....64	Sekito, Soichiro (MBA '12)....65
Boado, Leopoldo (PDG '09).....77	Knudsen, Martin N. (MBA '05).....74	Shakra, Ayham (MBA '12) ...56
Boyter, Erik (G-EMBA '05)....74	Manabe, Masayuki (MBA '13).....65	Schmid-Schmidsfelden, Veit (AMP '11).....72
Cazorla, María (SEP '12).....8	Martínez-Arribas, Fernando (G-EMBA '08).....77	Schwarz, Markus (MBA '96).....74
Chimeno, José Gabriel (PDG '95).....73	Meesters, Maurice (MBA '85).....74	Torrens, José María (MBA '89).....77
Colás, Juan (Global CEO '10).....8	Morales, Fernando (PDG '09).....77	Val, Fernando (PMD '11).....72
Cosentino, Tania (AMP '12)....8	Okutani, Naoki (MBA '13)....65	Valentí, Albert (MBA '12).....56, 67
Farfán, Edgar (MBA '95).....8	Olmos, Pascual (PADE '99)....8	Valero, José Luis (PADE '59).....77
Favieres, Adolfo (EMBA '02).....77	Percovich, Jorge (MBA '99)....8	Vanshelboim, Vitaly (AMP '11).....74
Folch, Imma (PADE '05).....77	Perrier-Chatelain, Gloria (EMBA '93; AMP '10).....60	Velarde, Mario (PDG '94)....77
Franzini, Mario (MBA '74).....8	Pulín, Fernando (AMP '09)....8	Vila-Bleda, Joaquín (PDG '79).....77
García, José Manuel (ST/MBA '04).....77	Restrepo de Tobon, Clemencia (MBA '76; SEP '09).....60	Vinelli, Agustín (MBA '03)....74
García, Tomás (MBA '88).....50	Riva, Albert de la (MBA '09).....77	Yarur, Luis Enrique (MBA '75).....8
Gerber, Eyal (MBA '12).....62		
Gleser, Amos (MBA '12).....56		

Numbers refer to the first page of the article in which the alumnus appears.

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REDISCOVERING LATIN AMERICA



**ANTONIO
ARGANDOÑA**

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“The future is now.” While Europe is in recession, the United States needs extra fiscal stimulus and China is showing signs of weakness, all eyes are on Latin America. The continent still has its problems, but it now seems to be going well and many countries can now count on the sort of sustained growth that has eluded them in recent decades. And IESE is involved through its various programs, through the business schools with which it maintains close links and through its alumni and the many initiatives that they have been involved in over many years. The proof of all this is that this year the Global Alumni Reunion is being held in Brazil. As **Mireia Rius**, director of the Alumni Association, says: “The GAR is the perfect excuse to visit a country full of opportunities and the ideal showcase for doing business.” We look forward to seeing you in Sao Paulo, on November 1-3.

As always, the *Alumni Magazine* is full of news and information. There are articles in the Ideas section by **Philip Moscoso** and **Alejandro Lago** about the importance of focusing operations on clients, **Gaizka Ormazabal** on credit rating agencies and how much of the blame they should shoulder for the financial crisis. All of these articles contain useful ideas that we can apply to business.

We look at how the MBA is changing, at IT and the media and the challenge of working in a team with potential political enemies and the opportunities for entrepreneurs, among other topics. And as always, we look forward to your comments and suggestions. After all, it's your magazine.

In the current **IESE**insight

www.ieseinsight.com/review



Innovation in Motion: Staying on Top

- Speaking the Language of Innovation
- Overcoming the Barriers to a Market Mind-Set
- Five Vectors for Creating Bold Innovation
- Normalize Innovation to Transform Your Firm



Plus...

- Sustainable urban models, from Barcelona to Brazil
- Lessons from Indian cinema for blockbuster teamwork
- Metro Bank: Can we learn to love banks again?
- Creating new knowledge the Japanese way



Mikael Schiller
of Acne Studios

“Good is not good enough.”
To build a company today,
“you have to do
something extraordinary.”

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“**O futuro chegou,**” as they say in Brazil. The future has arrived. The decision to hold the 2012 Global Alumni Reunion (GAR) in Brazil is a recognition on the part of IESE that a country that has constantly been reaching out towards the future has finally arrived in the present. Both Brazil and Latin America have become **markets full of opportunities** in sectors such as construction, telecommunications, leisure, consumer goods, the restaurant business and education. These are countries rich in mineral and agricultural resources with **fast-growing economies**. It’s no surprise, therefore, that companies and executives from all over the world see **great possibilities** and challenges in the continent. Alumni who have worked there and IESE professors share their views and experiences with us.

STEPHEN
BURGEN

Latin America: **THE FUTURE IS NOW**



“**T**he world is changing and the axis of development is shifting toward Latin America. It is an immense area, made up of 20 countries with 600 million inhabitants, and today

Latin America includes 30 percent of emerging countries and Brazil's influence in the region is hugely important. “That's why it's hardly surprising that IESE has chosen it as the venue for the next Global Alumni Reunion,” says **Fernando Pulín** (AMP '09).

Since 2006 he has run Developing Incorporadora, a Brazilian estate agent that deals in residential and business property. The property sector is one of the fastest growing thanks to the economic boom, the redistribution of income and the generally positive outlook. According to **Pulín**, the real challenge is to make a correct assessment of the necessities and to generate everything you need to cover them in a country where building capacity (in terms of the number, though not the quality, of builders) and access to credit are developing in the right direction but where there is still much to do.

Throughout Latin America there is a need for new building so there are many opportunities but also a need for experienced professionals, says Prof. **Vicente Font**. Other sectors that are on the rise include telecommunications, parts of the leisure industry, such as the restaurant business, retail, such as clothing, and education. Prof. **José R. Pin** says we shouldn't forget the possibilities that new technologies present and the opportunities to establish technological centers in free areas, such as in Montevideo, and for the export of services such as call centers and software. **Pulín** says that credit for buying property has become easier to obtain in recent years but that banks are cautious and anxious to develop in a sustainable manner to avoid the sort of property bubbles that we have seen in many European countries.

Tania Cosentino (AMP '12) was born in Sao Paulo and is now country manager of the French company Schneider Electric, a global specialist in energy management with more than 140,000 employees worldwide. Schneider is no newcomer to Brazil, where it has been operating for 65 years.

“From an executive stand point, Brazil is a challenging country,” she says. “We have had huge ups and downs in the economy over the past 40 years. But we are a land of opportunity. More than 40 million people have moved up into the middle-class in recent years. Brazil is a land of contrasts. We have favelas with no safe access to energy, no clean water, no treatment for waste, lack of security, among other basic problems, but we also have a land of luxury with top luxury brands and the largest fleet of helicopters in the world.”

Doing business in Brazil is unpredictable, she says. “But we are more optimistic than people from other regions, we can see this clearly in our customer and employee satisfaction surveys. We are also more used to reacting to economic crises than Americans and Europeans. We have learned from long experience.”

“THE CONSUMER SECTOR FACES THE CHALLENGE OF PROFESSIONALISING SERVICES, TALENT MANAGEMENT AND INTRODUCING TECHNOLOGY”

Edgar Farfán (MBA '95)

She advises incoming executives to take the time to understand the business landscape and the complexity of the country. “The most important thing is take care of your people, listen to them, coach them, develop them,” **Cosentino** says. “You cannot imagine the level of engagement you can have if you dedicate time to doing these things. Engaged people will respect and better serve your customers.”

Jaap De Jong (MBA '92) is regional director for Latin America and country director for Brazil for AkzoNobel, the global paint and coatings company. Having worked in Colombia and across the region for five years, for the past year he has been based in Brazil. The key to doing business in Brazil is making sure you develop good relationships with people, **De Jong** says. “Brazilians are very good business people and very pragmatic. Their decision-making processes can sometimes take a long time, and sometimes they move very fast. They are quick learners and have an open mind. There are also many challenges: bureaucracy, a very complex tax system, poor infrastructure and in some areas the quality of the labor force. But in Brazil, people are always optimistic about the future. They really enjoy every day, and want to work hard to have a better life with their families.”

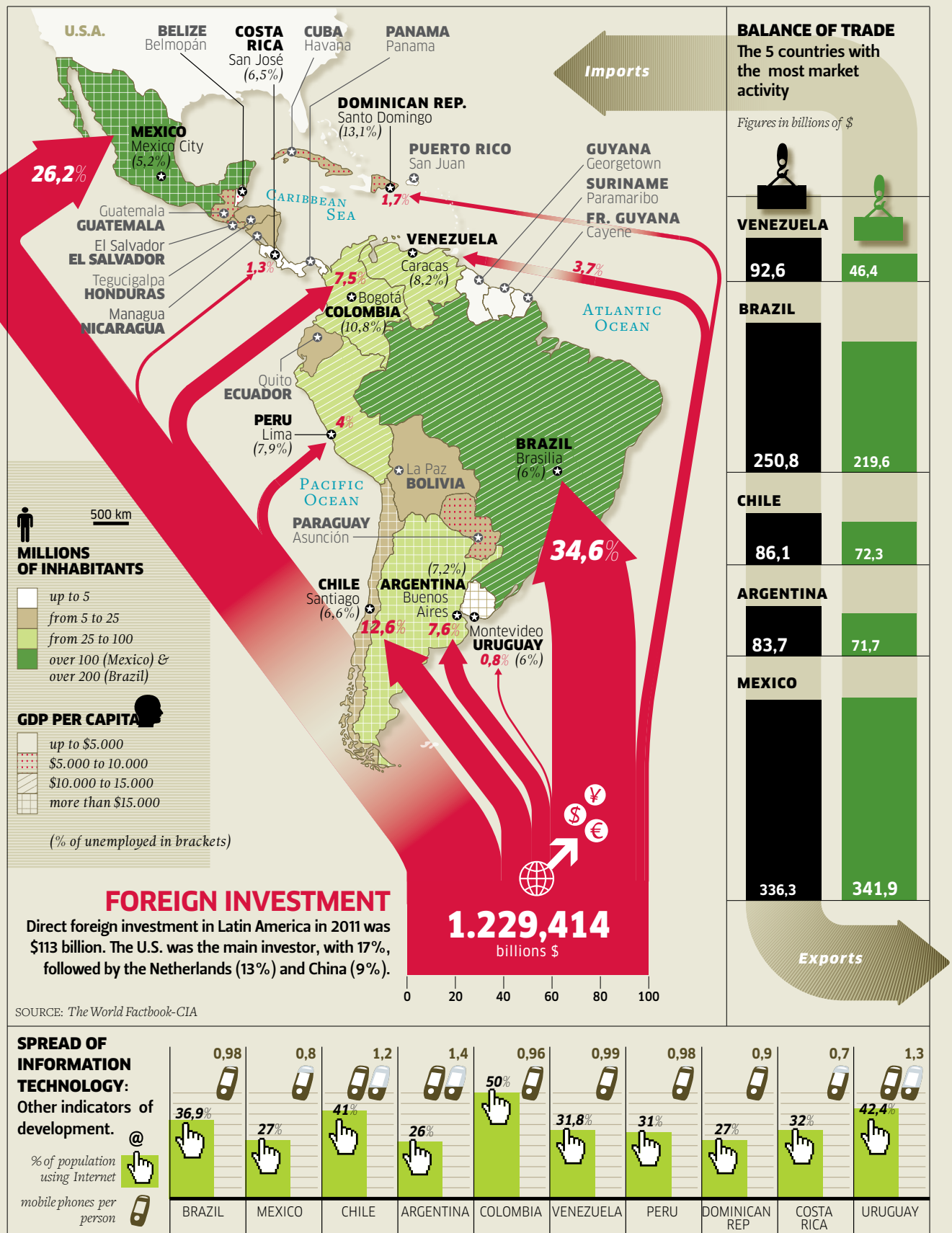
ANOTHER WAY OF WORKING

● **Juan Colás** (Global CEO Program '10) understands the banking sector very well. For several years he was responsible for Global Banking and Markets at Santander Bank in Argentina and Brazil. He has since returned to Spain but remains in contact with colleagues in the region. He says that the way of doing business in Spain and Latin America is fundamentally the same but some cultural aspects have to be borne in mind. “In general, Latinos are less direct than Spaniards or other Europeans,” he says.

He adds that what stands out about the way they work is the enthusiasm, ingenuity and “the lack of fear of failure,” perhaps because they are young countries with a desire to do things better. He recommends that anyone going to

TRADE WINDS OF THE AMERICAS

Latin America's traditional role as a provider of raw materials makes it vulnerable to fluctuations in demand and in commodity prices. However, a growing economic sophistication is raising millions out of poverty and creating a fast-expanding market for consumer goods and financial services



WHAT IS THE LATIN AMERICAN CONSUMER LIKE?

This is the question you need to ask before investing in a country. Who is your target? What do people need? You have to understand the country, its habits and customs and the people. If you use this approach, the opportunities are enormous. A recent special session of the Continuous Education program, "The consumer in Latin America", focused on the common features and peculiarities of consumerism in eight Latin American countries. Moderated by Prof. **Julián Villanueva**, faculty members from IESE's sister schools in Latin America discussed consumerism in their respective countries.



• "**Argentina** described his country as stimulating and curious with price-conscious consumers who are also very brand oriented".

Guillermo D'Andrea (IAE, Argentina).



• "**Chile** it is an easy country to do business in, sophisticated and open to technology. There are good opportunities in the automotive sector".

Guillermo Armelini (ESE Business School, Chile).



• "The **Mexican** consumer is thoughtful, active and intelligent," influenced by what is going on but loyal to brands and comfortable with technology".

Martha Rivera (IPADE, Mexico).



• "**Colombia** is a country tied up in international treaties whose main client is

the United States and is completely open to foreign investment and which has a problem worse than crime - 'the perception that there is a lot of crime'."

Luis Fernando Jaramillo (INALDE, Colombia).



• "The current consumer trends in **Peru** center on access to new products and services such as cars and homes as well as the new role of women, who make 90% of purchasing decisions".

Raúl Gonzales (PAD, Peru).



• "The new **Uruguayan** consumer as much less prudent and timid than in the past, someone who has lots of credit cards, likes to buy online and is, above all, more daring".

Carlos Folle (IEEM, Uruguay).



• "**Ecuador** with three million emigrants the country is heavily dependent on remittances from abroad and also has problems of crime and unemployment. It is a traditional market that is in a phase of construction".

Raúl Moncayo (IDE Business School, Ecuador).



• **Paulo Rocha e Oliveira** is an IESE professor but, as a Brazilian, says that consumers in **Brazil** are proud, sociable and habitual credit card users, whatever their social standing, which has helped to establish an efficient banking sector.

work there keep an open mind, without prejudices, with humility and a desire to learn. Of course they must also "want to get to know them and not shut themselves off with other expatriates."

Font recommends that, as well as not throwing your weight around, you need a trustworthy local partner. Many people also say that it's better to go with a work contract than to arrive empty-handed. This is what **Fernando Alonso** (EMBA '97) did. His company asked him to replicate its business model in Brazil and he didn't think twice. For the past five years he has been Santander Bank's head of sales for derivatives for corporate and SM&S in Brazil.

"The margins and the opportunities – and the risks – are greater than in other markets but this doesn't mean that clients and competitors are not prepared," he says. **César Beltrán**, the director of IESE in Brazil, says there is much that needs to be done but also much that has already been achieved. For example, Brazil is a world power in car exports and is home to the world's third largest airplane factory.

“COMPANIES THAT WANT TO ESTABLISH THEMSELVES IN LATIN AMERICA NEED TO THINK LONG-TERM IF THEY ARE TO MAKE THE MOST OF THE OPPORTUNITY”

Prof. Eduardo Martínez Abascal

INCREASING BANK USE

● There are extraordinary opportunities in the banking sector, according to **Alonso**. Salary increases have given the middle class access to bank accounts, credit cards and loans that were previously out of reach of all but the few. Bank use has always been low throughout Latin America, making it impossible to get consumer credit, but this is beginning to change say professors **Mario Capizzani** and **Paulo Rocha e Oliveira** in the study “Consumer Credit in Latin America: Trends and Opportunities in Credit and Store Cards.”

In Argentina, for example, access to credit has increased while interest rates have gone down. Combined with aggressive marketing, this has led to an increase in buying in installments. In 2010 credit card purchases increased by 38 percent.

Small businesses in Brazil were the first to popularize consumer credit by offering trusted customers short-term credit if they hadn't enough to pay for the week's shopping. This developed into *cartões de loja*, cards on which a record of purchases was kept which in due course evolved into store cards. Now most chains and supermarkets have established their own financial services and have linked up with banks to offer credit cards.

To establish a business you need to involve reliable local people. You can start out with a team from the home country, says Prof. **José A. Segarra**, but you have to develop local teams. “You can't consolidate your business until you have a local management team and this takes time,” he says. He adds that “it hardly ever starts out well” and you have to work to achieve success.

IN SEARCH OF EXECUTIVE TALENT

● **Jorge Percovich** (MBA '99), CEO of Havas Media in Colombia, Venezuela, Ecuador and Panama works with many expatriates in Colombia, a country that has opened the doors to foreign professionals because “it contributes to the country's growth and helps to change the negative image that it has had for a long time.” He believes that being an expatriate “is more good than bad,” although he admits that it's hard being far away from family.

It is increasingly common to see foreign executives because these countries need more than they are capable of producing, although the situation has recently begun to improve thanks to programs introduced by universities in the region, according to **Mario Franzini** (MBA '74), who is partner and manager at Seeliger & Conde in Buenos Aires.

Franzini emphasizes the importance of young entrepreneurs who are “willing to invest in their education and are very committed to their professional career,” and adds that women have a growing presence in professional life. There are also “opportunities for older executives,” he says.

As president of IESE's Argentina and Uruguay Chapter he says they are always available to help any IESE alumnus who is passing through or has come to work. “We can always help them settle in and provide them with contacts,” he says.

IESE IN LATIN AMERICA

NINE ASSOCIATE SCHOOLS

IESE has had a relationship with Latin America since 1967 when the IPADE school was established in Mexico City. The school was founded after a group of business people and academics asked IESE to help them establish a business school in Mexico. IPADE is now one of Mexico's leading business schools. After that IAE was founded in Argentina, PAD in Peru, INALDE in Colombia, IEEM in Uruguay, IDE in Ecuador, UNIS in Guatemala, ISE in Brazil and ESE in Chile. IESE works with nine associate schools in Latin America.

FIVE SPECIAL PROGRAMS

● **The Senior Executive Program (SEP)-Miami** is aimed at executives with a special interest in the region.
www.iese.edu/sep

● **Global CEO Program** is a program for senior executives run jointly with Wharton and CEIBS and which is held in Shanghai, New York and Sao Paulo.
www.iese.edu/gcp

● **Advanced Management Program (AMP)** offers programs for senior executives.
www.iese.edu/ampbrazil

● **Program for Management Development (PMD)** is aimed at executive development and is held in Sao Paulo.
www.iese.edu/pmdbrazil

● **Executive MBA Brazil** This summer the school launched the part-time, held over a period of 19 months and taught in English, Spanish and Portuguese.
www.iese.org.br/emba

The school also **designs custom programs** for companies operating in the Latin American market.
www.iese.edu/custom



While being an expatriate is an option it doesn't have to be forever. For example, **Pascual Olmos** (PADE '99) worked for four years for Repsol YPF in Latin America and then returned to Spain as executive director of sales for Repsol in Spain. He accepted the challenge because it was a career opportunity and because he had the support of his family who went with him.

He recommends that you take your family with you and make sure that you agree to good conditions before you leave. Security is another issue, depending on which country you go to. In his case, he agreed to go for four years and after that returned to Spain. "We felt that longer than that would mean uprooting our children," he says.

María Cazorla (SEP Miami-NY '12) agrees that working with people from different parts of the world is "very enriching" and helps you to be more flexible. She is head of the department of financial planning and analysis at the headquarters of Avon in New York and says that Latin America is their biggest market. "The opportunities in the cosmetics sector will be enormous, both because of the growth the countries are undergoing but also because of the culture in which beauty plays an important role."

On the other hand, more than 60 percent of the Mexican population subsists at the base of the pyramid, says **Lourdes Arana** (EMBA '92). This segment of the population lacks the necessary resources to provide the basic necessities and as a result has limited access to financial services.

Market penetration in the insurance and pension sectors is much lower than in Europe or North America, so there is great potential for growth. For example, insurance premiums represent only 1.8 percent of Mexico's GDP and only 4 percent in Chile. **Arana** knows the sector well as she is executive director of pensions and new business at the investment firm SURA Mexico. The future in this field is encouraging, she says, as growing life expectancy has led to an increase in demand for pension and insurance products.

GROWING CONSUMERISM

Consumerism is undergoing rapid growth. In Peru alone, 15 shopping centers have opened, says **Edgar Farfán** (MBA '95), managing director of Aldeasa. In 2000 there were seven shopping centers in Peru, by the end of 2011 there were 45 and by 2015 there are expected to be 80. This is a big change in the model, given that traditionally small businesses have met consumer's needs. **Farfán** says that the challenges the sector faces are the training and professionalization of services, talent management and the application of technology and business processes.

He says that the retail sector is growing so fast that it requires talent both at an operational level and in executive positions. Some 15 years ago, Chilean retail companies set out to conquer the region and now have a significant presence in many countries. He says that the "internationalization and creation of regional and even global brands will be



From top to bottom and left to right:
Fernando Alonso
Lourdes Arana
Jorge Becerra
María Cazorla
Juan Colás
Tania Cosentino
Edgar Farfán
Mario Franzini
Pascual Olmos
Jorge Percovich
Fernando Pulín
Luis Enrique Yarur

TAKE THE PATH TO THE RIGHT PLACE AT THE RIGHT TIME GLOBAL ALUMNI REUNION IN BRAZIL

Latin America is a land of opportunity and the Global Alumni Reunion is the perfect excuse to get to know it. Alumni who go to Sao Paulo on November 1-3 "will have the chance to visit a country brimming with opportunities and an ideal shop window for business," says **Mireia Rius**, director of the Alumni Association.

Brazil was chosen because IESE has been active for the past 10 years in what is Latin America's largest country and the fifth largest in the world. Furthermore, Sao Paulo is "a very cosmopolitan city."

Since the first GAR was held outside Spain in Amsterdam in 1999, each year the idea has been to hold it in a country where alumni have a strong presence, says **Eduardo Martínez Abascal**, academic director of the GAR 2012 which will be held in Brazil from November 1-3. "We hope the GAR will serve to bring about a greater understanding of this wonderful country," says **César Beltrán**, IESE's director in Brazil.

MORE INFORMATION:
IESE & YOU, on pages 78 and 79 of the magazine.
www.iese.edu/globalalumnireunion
blog.iese.edu/chartingpaths

another key scenario for Latin American companies." He gives as examples the Peruvian Kola Real and the Añaños group, which moved out of the Andes to conquer the capital and now have a presence in various South Asian countries. Another key factor in the growth of the consumer market has been the increased buying power of women.

The Chilean banking system is one of the most "modern, solvent and technologically developed in the world," says **Luis Enrique Yarur** (MBA '75), president of the Banco de Crédito Internacional (BCI). However, he believes it can improve and says the sector has to increase banking opportunities for the population as a whole and be sufficiently flexible to adapt to (and, indeed, offer) the changes its clients demand. The challenge is to remain solvent in a fast-growing market and know how to control the credit, operational and financial risks. The sector also has to face up to growing and "sometimes excessive" regulation and improve its image in the eyes of an ever more demanding general public. This is the only way it can exploit its capacity to become more international, says **Yarur**.

This year Chile has emerged as the most attractive destination in Latin America for risk and private capital, according to IESE's Global Venture Capital and Private Equity Country Attractiveness Index, which Prof. **Heinrich Liechtenstein** has co-directed since 2010. It is 27th out of 116 countries covered by the index. Brazil, Mexico, Colombia and Argentina also figure in the top half of the rankings.

SUSTAINABLE GROWTH?

● "I hope this growth will continue in the future," says **Farfán**, although he warns that everyone must remain conscious of the crisis taking place in Europe and that China is buying fewer raw materials, which will have a direct effect on Latin America. Prof. **Eduardo Martínez Abascal** is not surprised that a country with rapid internal growth is not exporting many manufactured products. "Selling abroad is more expensive and more difficult than selling in the market that you know at first hand," he says.

Many Latin American countries are enjoying their best years in decades. Growth is strong, they are improving their infrastructures and taking significant steps towards reducing social inequality.

Some, such as Brazil, also have the opportunity to show themselves to the world through major events such as the football World Cup in 2014, the Americas Cup in the same year and the Olympic Games in 2016.

Freedom is taking giant steps in Latin America says **Pin**. "The rise of the lower classes demands that the company becomes a channel for both professional and personal development," he says. This means that business people must take seriously their role in making society more dynamic, he says.

"At the end of the 21st century Latin America will be whatever businesspeople would have wanted it to be," he believes.

SERVICES AND OPERATIONS

PUT YOUR CUSTOMER IN THE FRONT ROW

**PHILIP G. MOSCOSO**

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Stronger competition and more demanding customers require companies to deliver exceptional service and ultimately offer differentiated value propositions in an efficient way. To do so successfully, companies need to innovate and continuously improve their service models, but with a holistic view that ensures coherence between strategy and operations.

SERVICES • INFORMATION TECHNOLOGIES •
OPERATIONS • VALUE PROPOSITION

Delivering great service is critical for most companies, yet hard to achieve efficiently and takes time to pay off. By service we mean the whole “experience” through which we satisfy customers’ needs and create value for them. This experience includes not only the “product” we offer but also the entire delivery process and experience, in which the customer is an active participant.

Three service delivery factors should be highlighted to illustrate the challenge (the three I’s):

- **Intangibility:** Delivery is made up of a combination of tangible elements (those that are “objective” and “measurable” by the customer) and other more intangible and subjective ones.
- **Interactivity:** The customer participates in a direct and interactive way in the service “production” process.
- **Immediacy:** The “production” and consumption of the service almost always occur simultaneously in time and space.

SERVICE DESIGN: DEVELOPING A SOUND SERVICE MODEL

● We propose four basic steps for developing a sound service model (See Figure 1). The first step is to define the target customers of the service to be offered. The second is to specify a value proposition for these target customers. The third is then to define how we can leverage value over costs for the

stakeholders by selling our value proposition to our target customers. Finally, the fourth step focuses on the design of the delivery system itself.

It is important to carefully define the customers to whom we wish to deliver our service. Good service design requires proper customer segmentation, given that the more broadly defined our market is the harder it will be for us to provide an excellent service, since customers’ needs and assessments will be very disparate, even contradictory. A key point here is to carry out the segmentation not only on commercial or marketing terms, but also in terms of the service delivery system. It is often also useful to ask whom we do not want as a customer, as this forces a first broad segmentation. Relevant characteristics of the target market segment (size, psycho-demographics, etc) should be taken into account when designing the service model.

The next step is to design the value proposition. When managing various elements that create value for customers, it is important to understand that customers’ assessments will be determined by their expectations and their perception of the service actually received. Only if their perception is better than their expectations will their level of satisfaction be positive. In service management research this relationship is known as the First Law of Services.

SATISFACTION =
PERCEIVED VALUE - EXPECTATIONS



It should be emphasized that both the perception and the expectations are subjective and depend greatly on the individual, as well as competitor propositions. For example, every visitor usually has a prior expectation of a Disneyland park. Even without having had any direct experience of it, an impression will have been gained from comments made by friends and acquaintances, or information in the press or guide books. The equation shown above also reflects a common danger: in order to attract customers, organizations tend to generate the highest possible expectations, but then

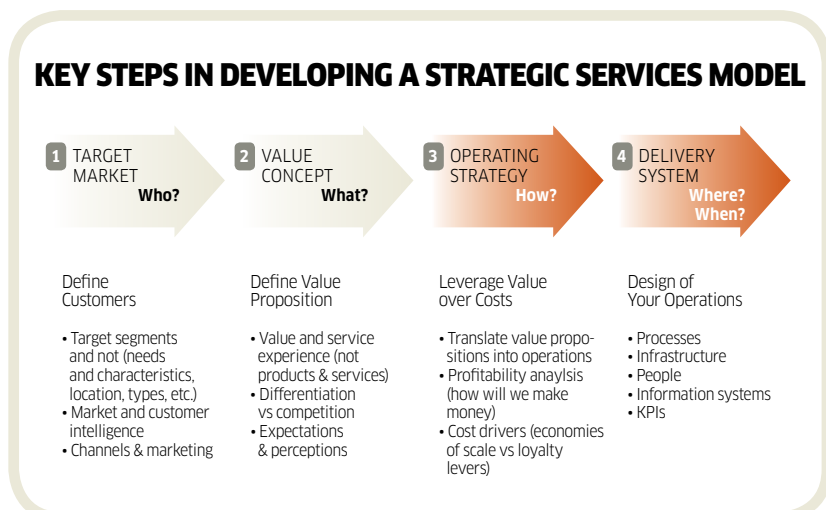


Figure 1. Source adapted from: Heskett, J.L.: "Lessons in the Service Sector", *Harvard Business Review*, 1987.

WHERE SERVICES ARE INTANGIBLE, CUSTOMERS OFTEN ATTACH MORE IMPORTANCE TO ATTRIBUTES THEY CAN OBSERVE

have to meet or exceed those expectations in actual service delivery (similar to the trailer vs. the movie).

Moreover, even where the service provided is the very same, the perceived value will vary depending on the individual customer, since perceptions are always quite personal. The perception may be based on objective aspects, such as the time spent waiting to be served. Yet it is not the objective value (say, 10 minutes) that really counts but the subjective one (whether the wait seemed long or not). The manager of the service can and should actively manage these subjective factors (perceptions and expectations) and must pay special attention to them when designing and controlling the service interface.

The customer's perceived value – the results, the process and the emotional value – are offset by aspects where the customer believes that he or she “incurred a cost” in order to enjoy the service. First, obviously, there is the price; then any inconvenience and personal costs arising from the service process and third, the customer's uncertainties. Inconveniences are all the things that entail a personal “cost” to the customer in order to access and enjoy the service (not including the price). Examples might include traveling, parking, finding out about the service, waiting and so on. Uncertainties, on the other hand, are the “cost” of the customer not knowing whether what he or she is going to receive is what he or she really wants. This is why money-back guarantees are attractive to some customers; they reduce uncertainty by offering financial insurance. To sum up, consuming a service typically entails important non-monetary costs for the customer which should be taken into account in the service design.

TARGET MARKETS AND OPERATIONAL STRATEGY

● Once we have defined the target market for our service and have specified the elements of the value proposition, in the next step the operational strategy focuses on how

we make money selling our value proposition to our target customers, i.e. how we leverage value over costs. This question is obviously closely related to how we plan to compete against other value propositions in the market, since the value generated by an organization will always be in some way influenced by the alternatives available to customers. In the case of a restaurant, for example, we can compete by having an excellent location, or a great cook, but we can also opt for lower prices or healthier food. In general, however, in economic terms all the options can be summed up in two main lines of action:

- Increase the value generated for customers (their perception and willingness to pay), through personalized service, higher quality, better opening hours, more employees to serve customers, etc. To achieve this we can raise certain value attributes above the standards set by competitors, or even add new elements to the value proposition that are not offered by other competitors.
- Reduce the costs of providing the service, by making operations more efficient, reducing the supply of services, reducing capacity, etc. Yet these cost savings must always outweigh the decrease in perceived value for customers. This can be achieved by reducing attributes of the traditional offering that the target audience does not value sufficiently to justify the associated costs, or even eliminate certain elements that do not fit with the proposition for the target audience or that are not valued highly enough to justify their costs.

DESIGNING THE DELIVERY SYSTEM

● Next, in the fourth step, we have to design the delivery system. Any service proposal must be backed by the necessary operating system, in which there are three key elements: the service *processes*, the non-human *resources* (equipment, infrastructure, etc.) and the operational contribution of *employees*. As a guide, we recommend that the

design of the services is centered on what we call the “customer corridor:” the service delivery process as the chain of activities and events through which a customer passes. The reason for this is that every process has a (external or internal) customer, and it is the customer who decides what is required and what adds value.

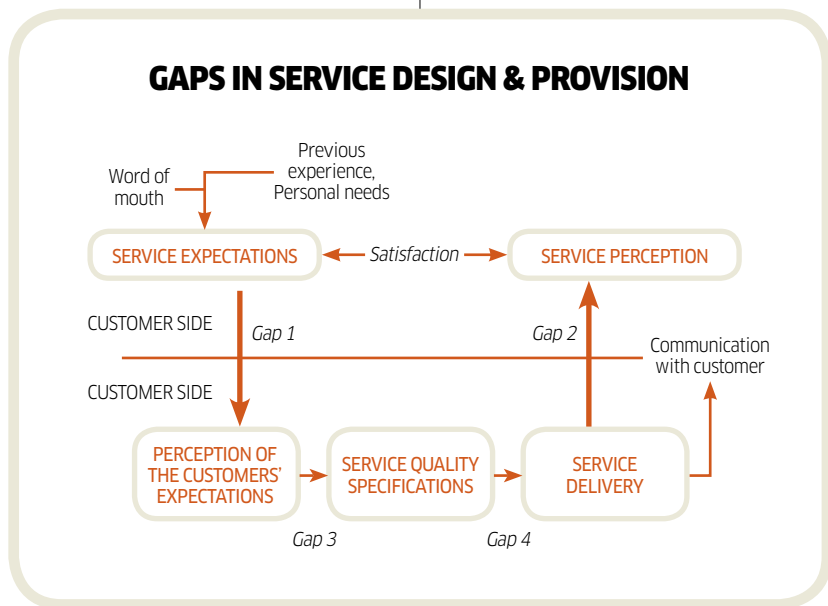
In the customer corridor there will be moments of direct interaction between the customer and the company’s service system (often employees) which are called Moments of Truth. This term highlights the fact that everything the employees have prepared and all the resources the company has deployed must “work” correctly at precisely that moment as best as that is when the level of customer satisfaction is determined. In each moment of truth there are always several factors to be considered which make managing such moments a challenge: 1. personal interactions; 2. waiting times; and, as already mentioned, 3. customer expectations and perceptions.

TYPICAL ROOT CAUSES OF PROBLEMS IN SERVICE DESIGN AND PROVISION

- The difference between customers’ expectations and perceptions, in practice, is the result of a whole sequence of potentially inappropriate actions through the service design and provision. Gaps are created that lead to service quality problems (Figure 2).

Customer expectations are perhaps where most of the mistakes of service models are rooted (Gap 1). Many organizations are unaware of what their customers really expect of the service they provide, or mistakenly assume that customers prefer or value certain attributes above others.

These errors have to be overcome by listening to customers’ needs and suggestions and intelligently managing expectations and adjusting them to what the institution can realistically deliver.



Organizations must also manage the final perception (Gap 2). Where the services offered are intangible, customers often cannot fully assess the quality of the service they have received and tend to attach more importance to the attributes they have been able to observe and understand. In a hospital, for example, it is easier for the average patient to judge how crowded it was than the quality of doctors. There may be gaps as well in the physical service provision because the service has not been designed with customers’ needs in mind (Gap 3).

Even when the process has been well designed, the level of service may vary and a customer may not receive the service as intended or as expected (Gap 4). In services, as production and consumption are simultaneous, customers receive any variation in the level of service directly and the company has no opportunity to anticipate this. In conclusion, a good quality control system in services should be preventive rather than reactive.

The good news is that a good recovery after a negative incident can sometimes result in a very high degree of customer satisfaction (and loyalty). As customers, we understand that companies make mistakes. The important thing is whether we feel they are trying hard enough to fix them.

Figure 2. Source adapted from: Pavasuraman, A.; Zeithame, V.A. and Berry, L.B.: "A conceptual Model of Service Quality and its Implications for Future Research", *Journal of Marketing*, 1985.

MORE INFORMATION:
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CREDIT RATING AGENCIES

ARE THEY REALLY TO BLAME?



GAIZKA ORMAZABAL
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Many people have blamed the credit rating agencies for their role in the financial meltdown of 2008 but were their assessments on asset securitizations any different from the judgment of the market?

The major credit rating agencies – Moody's, Standard & Poor's and Fitch – have been widely criticized for their role in the financial crisis. It is said that they wrongly assessed the risks on billions of dollars worth of bonds backed by residential mortgages, thus allowing financial institutions to take undue risks at the expense of taxpayers. The public outcry led to regulatory initiatives such as the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010, in which the regulation of rating agencies is viewed as an important mechanism to increase investor protection.

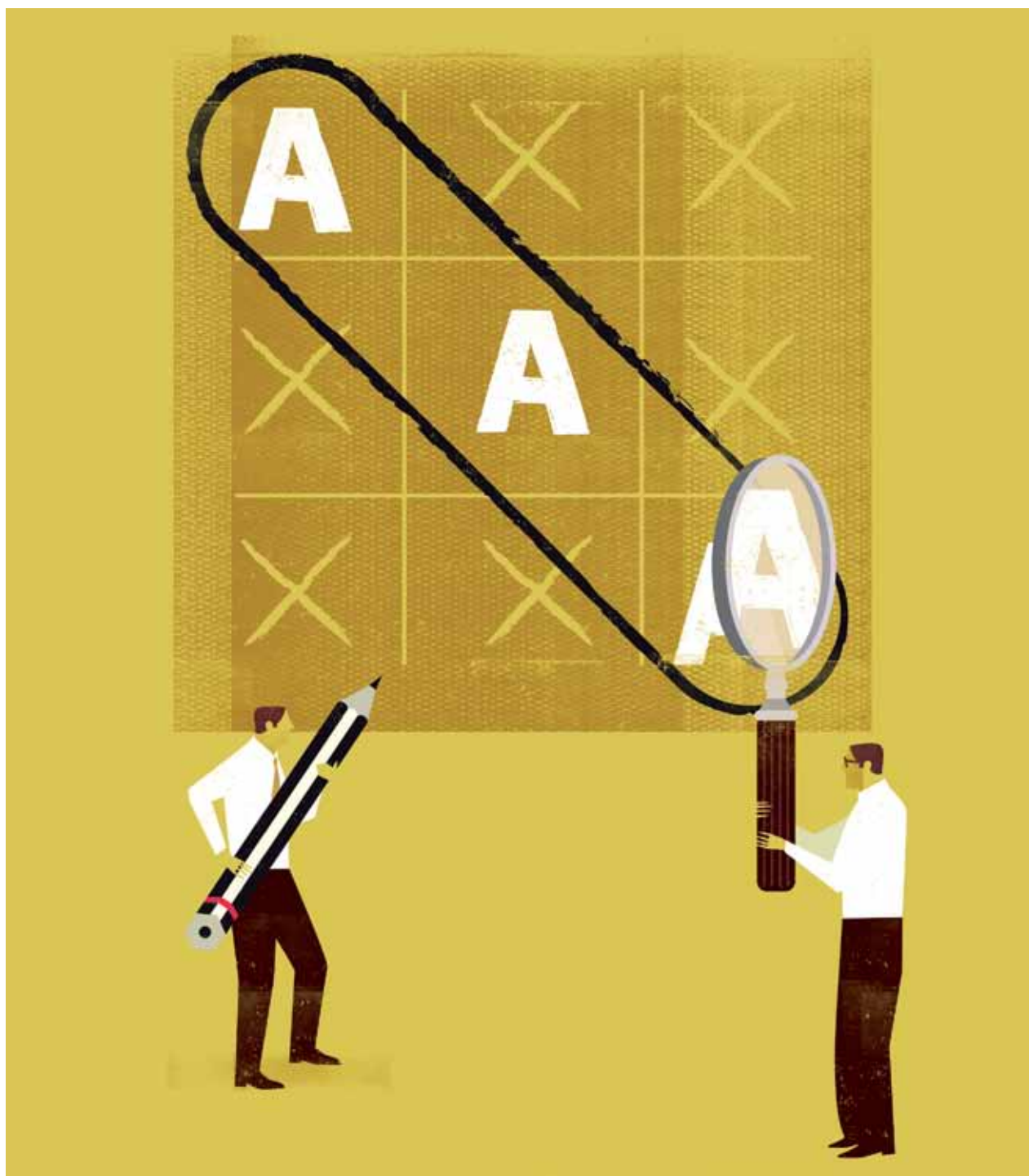
To fully understand the controversy surrounding the role of credit rating agencies in the securitization process, let us remember how this whole game works. What is an asset securitization? Do these transactions have an economic rationale or are they just a way for greedy financiers to take risky gambles knowing that if they lose, their companies will be bailed out by the government? What is the role that ratings play in this game?

In a typical securitization, a firm legally transfers assets — whether residential mortgages or credit-card debt or some other some other kind of receivables — to a special purpose entity (SPE). The SPE is a legal shell set up for the dual purpose of holding the assets and attracting investment by issuing securities

based on the cash flows originated by the assets transferred to the SPE. For example, a mortgage-based security (MBS) represents a claim on the cash flows originated by a pool of mortgage loans. Cash from investors goes from the SPE to the firm that created it, and almost invariably the originating firm retains a portion of the assets for itself, generally the highest-risk portion, as an encouragement to investors. In theory, SPEs can be advantageous to investors as a protection against bankruptcy of the originating firm and as a means of diversifying risk among investors, who can have pay-offs tailored to their needs and their degree of risk aversion.

One problem with these transactions is that investors know less about the quality of the securitized assets than issuers, and thus might end up overpaying for those securities. Aware that they can be fooled by issuers, investors will protect themselves by paying less money for those securities than the quality of those assets deserve. The role of credit rating agencies is to mitigate this problem by offering judgments about the likelihood of default on debt issued by the SPE.

However, some might call into question the value added by this intermediation. Why are these ratings so important if, after all, they are no more than opinions? Why should the opinion of a rating agency's research team formed by a reduced number of people be more accurate than the assessment of thousands



of sophisticated market participants that have important economic interests in those securities? Is it that the market relies more on the expert judgment of rating agencies than on their own risk assessments? Is it that rating agencies have access to information about the firm that is not publicly available to market participants?

Although this is possible, financial regulations, motivated by the desire for safety in investment portfolios, have also played a major role in thrusting the agencies into the center of the debt markets. Starting in the 1930s, financial regulators have required that their financial institutions heed the judgments of the rating agencies with respect

THE “ISSUER PAYS” MODEL GIVES THE ISSUER THE INCENTIVE TO CHOOSE THE RATING AGENCY WITH THE MOST FAVORABLE OPINION OF THE COMPANY

to these institutions’ debt investments. Credit ratings determine — as a matter of law — how much capital regulated institutions such as banks or insurance companies need to have on their balance sheets. Regulated financial institutions have a regulatory limit on the risk they can take. This limit is a maximum value for the firm’s capital ratio, which is computed as the ratio between the equity the firm holds in its balance sheet and a risk-weighted sum of its assets. Those weights are defined by regulators based on categories of assets and credit ratings. That is, the better the credit ratings, the higher the firm’s capital ratio threshold, and thus the higher the amount of debt (leverage) the firm can take. More leverage means higher probability of default and consequently higher risk, but also higher expected returns for existing shareholders.

The regulatory effects of credit ratings are not limited to banks and insurance companies. For example, money market funds are barred from investments rated lower than AAA (i.e., the highest rating category). However, interestingly enough, highly rated asset-backed securities played a central role in the money market turmoil that marked the outset of the 2007-2009 financial crisis.

Another important question is why would these firms issue inflated ratings if their reputation is at stake and their trustworthiness is at the heart of their business model? The answer lies in the incentives of these firms and in the nature of the competition across the NRSROs. Let us start with a fundamental question: Who pays for these ratings? Initially, it was investors who purchased the ratings from the rating agencies but the so-called “investor pays” model soon became unpractical for several reasons. First, investors were not willing to pay for information that was available for free to other investors. Second, buy-side investors would reward rating agencies for underestimating risk as high ratings loosen regulatory restrictions

on the types of instruments they can invest in. Consequently, the “investor pays” model was replaced by the “issuer pays” model, in which issuers pay rating agencies to rate their companies and make that information available to investors. Unfortunately, this gives the issuer an incentive to choose the rating agency with the most favorable opinion of the company.

Although competition among rating agencies could alleviate this problem, the barriers to entry into this industry have also been heavily influenced by regulators. By creating a category (“nationally recognized statistical rating organization,” or NRSRO, in 1975) of rating agency that had to be heeded, and then subsequently maintaining a barrier to entry into the category, the Securities and Exchange Commission (SEC) further enhanced the importance of the three major rating agencies.

THE EVIDENCE

● Since the outbreak of the financial crisis, there has been a widespread perception that credit ratings for asset securitizations were overstated. But is there no alternative explanation for the dramatic decline in the market value of so many asset-backed securities that were rated AAA by the rating agencies? Although with the benefit of hindsight this might seem implausible, a rigorous analysis requires contemplating alternative hypotheses. For example, is it possible that the majority of market participants considered the crisis an event so unlikely that it barely affected investors’ assessment of the probability of default of securitized assets? In other words, perhaps credit ratings issued before 2007 were partially correct and did recognize the risk of securitized assets, but were affected by a widespread misperception of systemic risk. An even more extreme alternative hypothesis is that credit ratings were accurate and reflected the underlying credit risk of securi-

tized assets. After all, a AAA rating means that the probability of default is very low, but not zero.

To assess the credibility of these claims, we need to know whether in the period prior to the crisis, rating agencies were systematically ignoring the risk from securitizations. This is the question that, along with my co-authors, I assess in the paper “Asset Securitization and Credit Risk,” published in a recent issue of *The Accounting Review*. The paper finds a marked difference between the way risk was assessed by the bond market on the one hand and a major credit-rating agency, Standard & Poor’s, on the other.

In its assessment of risk, the bond market took into account all asset-based securities issued by the banks in the three categories sampled by the study — those backed by residential mortgages, by consumer loans and by commercial loans. In contrast, assessments by Standard & Poor’s reflected only the small portion of issued securities that the banks retained in their own accounts and did so only in the case of residential mortgages but not the other two types. But why would the market perceive as risky assets that had been sold to investors and, according to the accounting rules, were no longer part of the bank’s balance sheet? The answer is that the bank still kept ties with those assets in the form of implicit guarantees and thus those assets possibly affected the bank’s credit risk.

The evidence that the bond market recognized the risk of assets securitized prior to the 2007-2009 financial crisis is not consistent with the idea that credit ratings reflected a potential misperception of systemic risk that was prevalent among market participants. Rather, the lack of correlation between ratings and securitized assets implies that rating agencies ignored the risk of those assets or, if anything, only recognized the risk of the securitized assets explicitly retained by the bank.

THE SOLUTION

● The solutions to the problems in the credit rating industry can be classified into two basic approaches. One view is that, because their ratings are closely tied to financial regulation, these agencies should be as closely subject to regulation as banks and insurance companies. The other view is that rating agencies deserve to have the same freedom of speech as a broker who advises investors to buy some particular stock, but let the buyer beware.

These two approaches have led to very different proposals. Recent regulatory initiatives emphasize the need for increased oversight of credit rating agencies. Most importantly, the Dodd-Frank bill in the U.S. established a new Office of Credit Rating Agencies at the SEC to strengthen regulation of credit rating agencies and new rules for internal controls, independence, transparency and penalties for poor performance. In Europe, there are proposals for mandatory registration with the European Securities and Markets Authority (ESMA) and a requirement to force corporations to rotate their rating agency.

However, there are other proposed solutions that put less emphasis on regulatory oversight. For example, some propose the establishment of centralized clearing platforms for ratings (from a sample of approved rating agencies, the centralized clearing platform chooses which agency will rate the debt for a flat fee). Others lean towards withdrawing the financial regulations that thrust the rating agencies into the center of the debt markets and tie capital and reserves requirements (if any) to market measures. Still others propose to increase competition in the rating industry by revisiting the requirements for the NRSRO status. Unfortunately, all these solutions have important trade-offs and implementation problems that need to be carefully analyzed and thus it is likely that these unresolved issues will continue to be on the table in the future.

THE LACK OF CORRELATION BETWEEN RATINGS AND SECURITIZED ASSETS IMPLIES THAT RATING AGENCIES IGNORED THE RISK OF THOSE ASSETS

MORE INFORMATION:

¹ Barth, M. E.; Ormazabal, G. & Taylor, D.J.: “Asset Securitizations and Credit Risk” *The Accounting Review*, vol. 87, No 2, March 2012, pages 423 - 448.

Search Funds An Alternative Investment

MATHIEU CARENZO, IAN NIEBOER AND ANTONIO DÁVILA

In a technical note, IESE's **Antonio Dávila, Ian Nieboer** and **Mathieu Carenzo** identify key issues to take into consideration before getting involved with a search fund, which is an investment vehicle for financing the discovery, negotiation and acquisition of a company considered to have strong growth potential.

The main difference between search funds and other investment instruments, such as venture capital or private equity, is that they are created expressly to capitalize on the entrepreneurial and leadership potential of young executives or recent MBA graduates. As such, those participating in a search fund are betting not

only on a company but, more importantly, on the talent of the promoter/entrepreneur/searcher. The paper looks at the various phases in the life cycle of a search fund, from obtaining capital, search and acquisition through operation, value creation and exit.

MORE INFORMATION:
IESE Insight/ Finance

THERE'S MORE TO GOOD PERFORMANCE THAN PUTTING ON A SHOW

BEATRIZ MUÑOZ-SECA
AND SUSANA LLERENA

Arts and cultural institutions need to find new audiences, meet changing demands and consider their business models afresh. And this they must do while competing for ever scarcer public funds. In their technical note "An Introduction to Setting up Service Performance Indicators in the Cultural Sector" IESE's **Beatriz Muñoz-Secca** and **Susana Llerena** propose the introduction of service performance indicators to help improve both cultural offerings and bottom-line performance within the sector. The authors urge cultural institutions to move beyond the run-of-the-mill analysis of visitor demographics toward a much deeper understanding of the diverse motivations, aspirations and needs of their customers.

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Getting Your Message Across

JULIÁN VILLANUEVA, IGNACIO BEL
AND SEBASTIÁN CEBRIÁN

Communication forms a fundamental part of business management and should be considered a strategic priority within the organization. This is one of the lessons drawn from the dozen real-life examples presented in book coordinated by IESE Prof. **Julián Villanueva** together with **Ignacio Bel** and **Sebastian Cebrián** of Dircom, the Spanish professional association of communication directors.

The experiences of the 12 companies serve to explore the main challenges presently facing communication directors. The book explores communication in the context of topics such as branding, mergers and acquisitions, corporate social responsibility and the rise of social media.

MORE INFORMATION:
IESE Insight / knowledge and Communication

No Single Model for Global Leadership

PANKAJ GHEMAWAT

While global leadership is still a nascent field, common conceptions of it already incorporate myths or half-truths that rest on misconceptions about globalization. Correcting these myths should help the efforts of companies to increase their global leadership capacity, Prof. **Pankaj Ghemawat** writes in the paper “Developing Global Leaders” published in the McKinsey Quarterly. Standard lists of global-leadership competencies reinforce a one-size-fits-all view of global leadership that is inconsistent with the reality of globalization and the mix of work global leaders do. Addressing the global leadership gap must be an urgent priority for companies expanding their geographical reach, he concludes.



CONSUMER CREDIT IN LATIN AMERICA

MARIO CAPIZZANI, FELIPE JAVIER RAMIREZ AND PAULO ROCHA

● In their paper, “Consumer Credit in Latin America: Trends and Opportunities in Credit and Store Cards,” **Mario Capizzani, Felipe Javier Ramirez Huerta and Paulo Rocha e Oliveira** analyze the trends in the region’s consumer credit market and the prospects for growth in the sector.

There are broadly three types of consumer credit identified in the authors’ study. The first is the virtual wallet, or informal credit, which allows regular

customers to make up differences on their next shopping trip. Then there are credit cards which allow for purchases against a set credit limit, which can then be paid back in full or in monthly installments. Finally, there are store cards which offer a “pay later” component similar to that of credit cards, but with a direct association with a particular store or retail group.

MORE INFORMATION:
IESE Insight / Marketing

IESE Insight **Innovation** **in Motion:** Staying on Top

If we are going to turn our businesses around and return to growth, the only option is to innovate. However, many executives find it difficult to transform energy and creative ideas into business opportunities. Sometimes the problem is not knowing how to convert ideas into actual products and services, while some companies are so preoccupied with operational excellence they leave little room for experimentation. In issue N° 14 of *IESE Insight* experts in the field discuss how to kickstart change:

- **Jay Rao** looks at the concepts and relationships executives need to develop to create a community of innovators.
- **Carlos García-Pont and Paulo Rocha** examine the internal obstacles to innovation.
- **Robert G. Cooper** discusses the five vectors that encourage innovation even in mature and commoditized markets and sectors.
- **Joaquim Vilá** sets out a road map for designing a strategy and culture that encourages innovation.

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THE PRINCE and Princess of Asturias Visit IESE's New York Center

Their Royal Highnesses Prince Felipe of Bourbon and Princess Letizia Ortiz presided over the Global Business Colloquium organized by IESE to discuss the world economy and the prospects for recovery.



Left to right Frank Hager, Carlos Padula, Chris Vollmer, Jay Ireland, Gerry Byrne, Prof. Eric Weber, Carmen di Rienzo, Don Felipe de Borbón, Doña Letizia Ortiz, Prof. Jordi Canals, William F. Baker, Jorge Sendagorta, Tom Kane and Prof. Luis Cabral



IESÉ's New York Center hosted a Global Business Colloquium attended by Spain's Crown Prince and Princess of Asturias. Moderated by **Susie Gharib**, anchor of PBS' *Nightly Business Report*, the most watched daily business program on American television, the panel members included Loews Corporation CEO **James S. Tisch**, veteran Wall Street financier and *New York Times*, MSNBC and *Financial Times* contributor **Steven Rattner**, and president and CEO of GE Africa, **Jay Ireland**. Dr. **Bill Baker**, president emeritus of New York's PBS station (WNET), presided as the master of ceremonies. The panel discussion was followed by a response from Spain's secretary of state for commerce, **Jaime García-Legaz**, as well as an address by his Royal Highness Prince **Felipe of Asturias**.

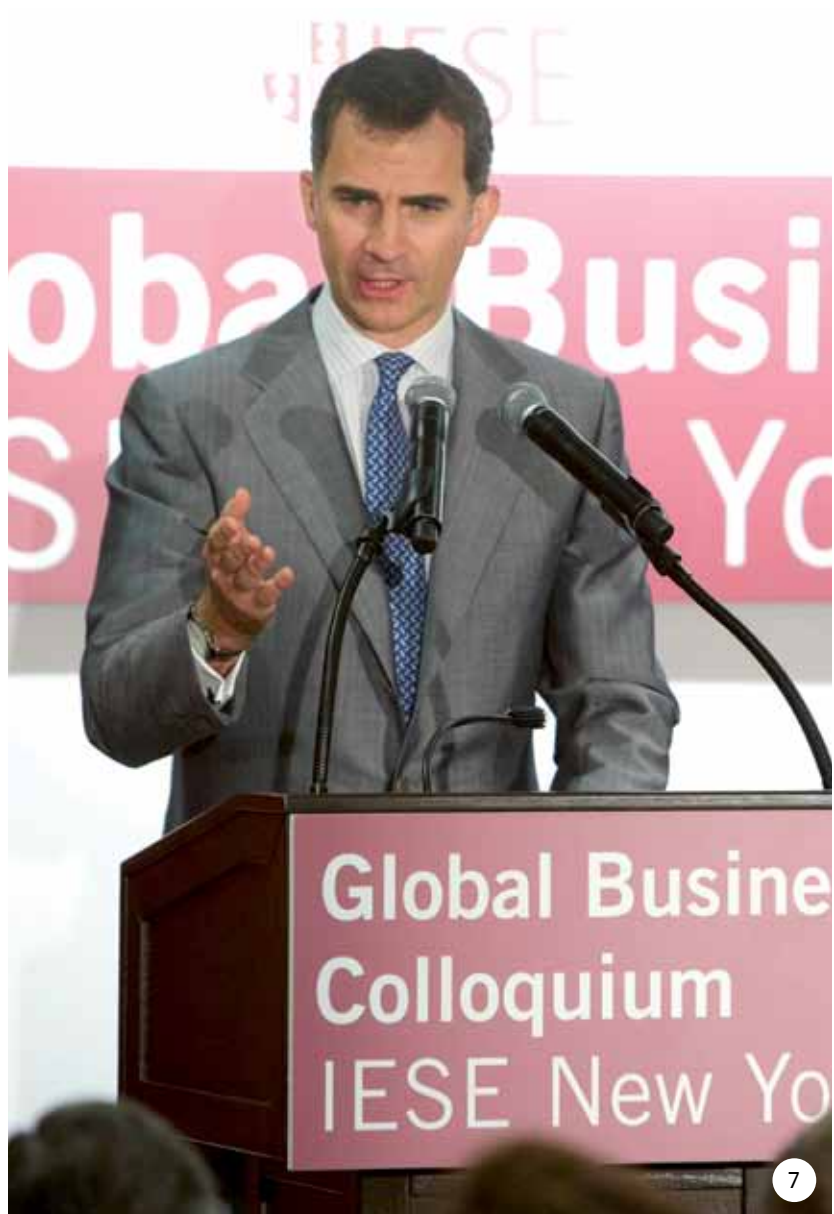
Jordi Canals, IESÉ's dean, opened proceedings by welcoming the royal family and thanking the panel members.

In an increasingly changing and globalized world, a school like IESÉ's, unique for its retrieval of and emphasis on ethical, humanistic business practice, did well to consult the repository of knowledge and experience the panel members offered, **Canals** said. Indeed, in a world in which concern for the well-being of the business community and for the individual is becoming increasingly marginalized, the Global Business Colloquium was very timely.

Gharib introduced the colloquium's subject, the prospects of the global economy in the near future, by asking the three American panel members whether they were more or less hopeful about the state of the economy in Europe and the European Union. The general consensus from **Tisch**, **Rattner** and **Ireland** was one of shaky confidence in the EU's short-term potential to recover, concluding that EU countries can either keep spending and consequently continue to threaten sovereign credit rat-



1. Jay Ireland
2. Steven Rattner
3. James S. Tisch
4. Susie Gharib
5. William F. Baker
6. Dean Jordi Canals
7. His Royal Highness the Prince of Asturias



ings, thereby lose access to critical markets, or reinforce austerity measures and deepen their recession.

The most troubling question about Spain and the EU is simply whether or not the implemented economic restructuring will actually work in the long run. Unless it does, **Ireland** said, the U.S. won't invest. The U.S. is experiencing its own growth problems and, while there may be potential for growth in Europe, there simply doesn't appear to be a unified effort to begin the change that is necessary; how can they move forward with 17 different opinions?

However, **Tisch** was quick to point out that, although Europe (and Spain in particular) is certainly in extremely worrying economic circumstances, the United States is as well. And to that end, the fact that both countries do share a fundamental, core potential for long-term economic growth should not be forgotten.

Despite the critical economic condition Spain finds itself in, as well as the bleak picture painted by the panel members, **García-Legaz** was optimistic. He defended the legitimacy of the EU as an institution and expressed strong confidence in its continued survival. Furthermore, he said that he is convinced that the austerity measures and reforms Spain has implemented will ensure a revaluing of its economy within the current monetary union.

But **García-Legaz** also reminded the some 200 business leaders and executives attending the colloquium, that the transatlantic relationship between the U.S. and Europe, and Spain in particular, is critically important if Europe's economic recovery is to materialize. In fact, he identified this relationship as the greatest economic bloc in the world. If the two continents could establish increasing and consistent transactions by eliminating



transatlantic duties and implementing more reasonable regulation, both the U.S. and EU would be helped on their way to economic stability. Concluding his remarks by citing a 6 percent increase in Spain's global market competitiveness, **García-Legaz** introduced his Royal Highness, **Prince Felipe**.

The colloquium marked the beginning of **Prince** and **Princess Letizia**'s visit to the U.S., and he thanked the school for welcoming them, noting the significant contribution the school has made to the quality and ethical caliber of business practice worldwide. The Prince focused primarily on the relationship between the U.S. and Europe and, in particular, the potential for a closer relationship between the U.S. and Spain.

As the U.S. is Spain's largest economic and trading partner outside of the EU, and because of the significant presence of Spanish companies in the U.S., plus the increasing use of the Spanish language internationally, the relationship between Spain and the U.S. has never been more important, he said.

"The roles to be played by the U.S. and the EU in the next few decades will depend partly on what our governments do, as well as on the commercial success of our companies, but also on how we all work together to ensure that globalization brings countries together and

fosters proper progress in all our societies. America and Europe must continue cooperating to achieve a more effective and healthy integration of emerging countries within the world economy and its multilateral institutions. A coordinated action between Europe and the U.S. in areas such as free trade or environmental management will ultimately produce a much greater impact than any single separate, unilateral action undertaken by one or the other."

He finished his address by saying that it is precisely because of the relationship between the United States and Spain that he is confident in and looks forward to the economic recovery and stability of both. The relationship between the U.S. and the EU, and especially between the U.S. and Spain, **Prince Felipe** concluded, is one that could potentially change the trajectory of both countries' economies for the better, and in the near future.



MORE INFORMATION:
Code BIDI with video of the event

THE NEW YORK CENTER

IESE began its New York journey in 2007 when it offered programs in executive education and also had a research center (Institute for Media and Entertainment - IME) which focused mainly on globalization and media and entertainment. To consolidate its development in the United States the U.S. Council, made up of senior executives, met for the first time on March 4, 2011.

U.S. COUNCIL:

William Baker
President Emeritus
Channel Thirteen

Gerry Byrne
Vice Chairman, PMC
Penske Media Corporation

Luis Cabral
IESE Business School

Jordi Canals
IESE Business School

Tom Castro
President & CEO
El Dorado Capital and
Time Warner Cable

Vin Cipolla
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The Municipal Art Society

Begoña De Ros
IESE Business School

Carmen Di Rienzo
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Alan Glazen
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Claire Huang
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Markets Bank of America

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PriceWaterhouseCoopers,
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Tom Rogers
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John Schmitz
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Chris Vollmer
Managing Partner
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Eric Weber
IESE Business School

Josh Weston
Honorary Chairman
Automatic Data Processing
Inc. (ADP)

Kathryn Wilde
CEO Partnership
for New York

Programs:

General Management:

- Advanced Management Program in Media and Entertainment (Media AMP)
- Senior Executive Program (SEP) New York - Miami
- Program for Leadership Development (PLD) New York - Miami
- Global Finance and Strategy for Senior Executives

Short Focused Programs:

- Advanced Digital Media Strategies: Profiting From the Digital Value Chain
- Global Business: Making the Matrix Work
- Arts & Cultural Management: From Service Design to Success

MBA, Executive EMBA and Global Executive MBA
modules are all held at the New York Center.

MORE INFORMATION:
www.iese.edu/usa







MBA

A LONG-TERM COMMITMENT

The MBA is more than a qualification. It helps people to understand problems holistically and to see the implications of their decisions.

CRISTINA
ACED

“**R**unning a business involves giving something back to society,” says **Alejandro Lago**, academic director of the first year of the MBA program. That means that a good executive contributes towards better organizations and a better society and this should be the main motivation for undertaking an MBA, he adds.

He regrets that in recent years making money has come before doing things well and wants to do away with the idea that an MBA is a short-term investment. “Leadership involves dedication, hard work and long-term thinking,” he says.

“The market wants well-rounded professionals,” says **M^a. Julia Prats**, professor in the Department of Entrepreneurial Initiative at IESE. The MBA helps people to understand problems holistically and teaches them to think about the implications of the decisions they take as executives and as people within the organization.

IESE’s MBA program is in a continuous process of reinventing itself in order to meet the changing demands of the market. The aim is to offer training in general management that is oriented towards action and decision making, with a strong humanist component, in order to prepare participant for a global world, says **Franz Heukamp**, director of the MBA program. In the first year all students

SOCIAL NETWORKS AND EMAIL ARE VERY USEFUL BUT WE SHOULDN'T LOSE SIGHT OF THE IMPORTANCE OF FACE-TO-FACE COMMUNICATION"

study basic topics of business management, and in the second the course is multidisciplinary.

WORKING WITH VALUES

“All the MBA programs include classes in finance, marketing and operations and for the past 20 years all business schools have also taught skills,” says Prof. **Luis Palencia**, director of the MBA program from 2006-2009. “However, most schools neglect a fundamental dimension – values – which form part of the essence of IESE.”

He adds that “you don’t learn values from books but by example.” Rather than giving a course in ethics as such you have to “transmit values in all of the courses” Lago insists. Furthermore, he adds, there’s no point in saying in one class that business is about more than financial results while in the others positing profits as the only *raison d’être* of a company. For this reason, he says, recruiting faculty is “a key aspect.”

“In reality”, says **Palencia**, “values are developed through social interaction. For this reason it’s important to have a two-year course with small groups in order to give students personal attention. This direct contact between the faculty and the MBA students is another feature particular to IESE. The participants work in teams and have a professor who is with them like a mentor throughout the program.”

FOCUS ON GENERAL MANAGEMENT

● An essential element of the MBA is that it is taught from a general management perspective and oriented towards action and decision-making. To this end, practical training is a key component. The case study method and role play present students with real situations, as does the practical aspect of most of the courses.

Prof. **Julia Prats** gives a course in which students work in groups on a strategic project in which an executive has to solve a real problem such as designing the best business model for entering a new market or to launch a particular technology. “They work shoulder-to-shoulder with the executive for three months,” she says.

Although summer internships in companies allow them to test the value of what they have learnt, this is not the only way to make a program relevant for practice, says Prof. **Philip Moscoso**, professor of production, technology and operations at IESE. “Our goal is to help them develop general management skills,” he says and they can get this through case discussions, classroom simulations, virtual platforms and the development of entrepreneurial opportunities.. On the other hand, to familiarize themselves with new contexts and to develop internationalization, students are given the opportunity to take part in exchanges with other business schools or to have voluntary residencies of from a week to three months on other IESE campuses. These are immersion modules that include classes

LIFE AFTER GRADUATION

The figures show how successful the program is in opening doors in the job market. Almost 90 percent of graduates in 2012 found work. Of them, 70 percent are working outside Spain, mainly in the U.K. and Germany and, to a lesser extent, the United States, Japan, Switzerland and Chile. Some 22 percent go into consulting, 22 percent into the health, technology and telecommunications sectors, while 8 percent go into banking.

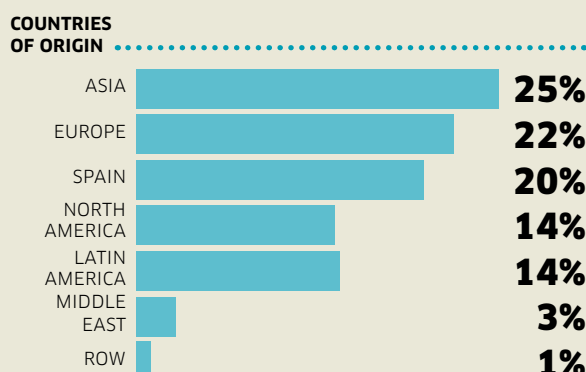
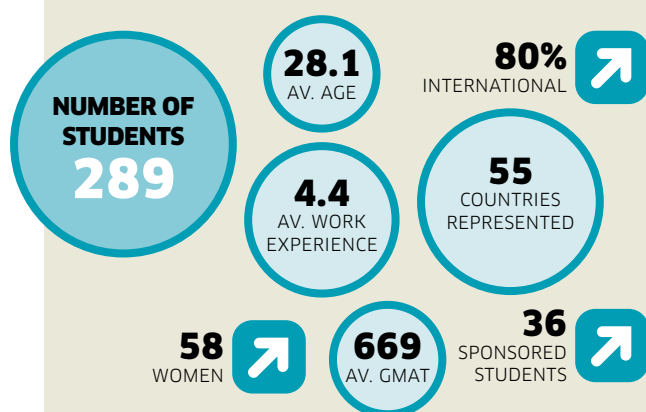
“IESE MBAs have an international profile, an entrepreneurial spirit and the leadership abilities necessary to lead teams of diverse nationalities, and these are the values that companies seek when they look for talent to manage their ever more global projects,” says **Javier Muñoz**, director of the Career Services department.



ATTRACTING TALENT

In September 289 first-year MBA students arrived at IESE in the final stage of a process that has lasted a year. The MBA Admissions department has held more than 65 fairs, 11 open days and carried out close to 1,400 interviews and 10 assessments in various parts of the world to find the best candidates. "We seek candidates who understand IESE's mission that, apart from getting an MBA, they will acquire values that will help them to be better

people and better professionals. "Our candidates come from a wide range of academic backgrounds and nationalities, with high GMAT scores, several years of work experience and other intangible aspects that indicate that they will fit into the IESE MBA program," says Itziar de Ros, director of the MBA Admissions department. The department has scoured the world in search of the best talent. This is the MBA class of 2012-14.



with local executives and visits to companies in the area in order to learn from them at first hand.

Students have the option of two-week stays in New York, São Paulo, Shanghai and, starting this year, in Nairobi too. These are immersion modules given by both IESE and local professors, says **Carlos García Pont**, academic director of the second year of the MBA program. They also include classes with local executives so students can learn about the situation at first hand. With clear and well-defined objectives, these modules add to the international experience of the MBA, says Prof. **García Pont**. About one third of students choose these modules.

GLOBALIZATION

The modern world presents executive education with new challenges, principally preparing students for the globalized milieu in which they will be working, says Prof. **Pankaj Ghemawat**. The make-up of MBA classes is increasingly diverse but having international students and faculty will not translate into better mutual understanding if the content and faculty are not geared towards managing diversity with the aim of exploiting its potential and minimizing risks.

On the other hand, given the vast amount of information available on the Internet, it is vital to develop critical faculties, says Palencia, who warns that "new technologies shouldn't lead to a trivialization of communication." Social networks and email are very useful but we shouldn't lose sight of the importance of face-to-face communication.

With this challenge in mind, IESE's MBA students are divided into groups of the greatest possible diversity, whether of nationality, education or professional experience. "They will rarely work in an environment as diverse as this one," says **Elena Liqueste**, executive director of the MBA program, who says this is a "mind-opening experience." The team becomes a vital component of the MBA at both a personal and academic level. "It's great to see how the students get along together and help each other. They make lifelong friendships."

The case method, teamwork and simulations help to meet these challenges and to make students conscious of themselves, of the changes taking place in the world and the implications of the decisions they take. "These values are developed in business schools," the professor says.

THE SPIRIT OF THE MBA

All of the professors interviewed agree that what the MBA teaches is not limited to the classroom but is very enriching in regard to daily life. "The MBA has to have an impact on the individual, on their values and their management style," says **Moscoso**. "Learning about integrity and professionalism is more important than learning about finance or marketing," says **Prats**. Ultimately, the MBA "has to convey consistency and standards," says **Palencia**. As **Lago** said at the beginning of this article, it's a long-term social commitment.

MORE INFORMATION:
www.iese.edu/en/MBAPrograms



MBA'12 during Silicon Valley trek

OPPORTUNITY KNOCKS

IESE MBAs travel around the world meeting recruiters and top executives, an approach that opens doors to the international labor market.



THERE IS A BIG DIFFERENCE BETWEEN READING A CV AND INTERACTING FACE-TO-FACE WITH A STUDENT”

Javier Muñoz, director of Career Services

At the moment 70% of all IESE MBAs find work in Europe and the Career Services department has set a goal of increasing by 30% those that go to international markets. One of the main obstacles to increasing the number of companies in the United States, Latin America and Asia is the time, effort and money required for them to come to the school to recruit possible candidates. However, the strategy developed in recent years by the Career Services department is bearing fruit. It is a two-pronged strategy. On the one hand, being in touch with people who have begun to work in those countries and who have direct knowledge of the local market, and whose needs we understand and, on the other hand, helping recruiters from various companies to get to know MBA students face-to-face in their own country. “It’s useful for the students to get to know these sectors, countries and companies and useful to know at first hand top executives. For example, we were received in Milan by the CEO of Gucci. Furthermore, for us it’s essential to put them in contact with the recruiters so that they can meet our MBAs. There’s a big difference between reading a CV and meeting and interacting with the student. This is how they come to like our candidates,” says **Javier Muñoz**, director of Career Services. He added that it is “a formula that is producing magnificent results in contracts both for internships and full-time.”

ON THE ROAD

● There are two types of treks: those organized to make visits during a particular period, such as to London banking or to Silicon Valley and those which take advantage of an MBA’s academic stay in areas such as New York, Singapore and China.

In general, it’s the students themselves who organize these events with Career Services through their clubs and,

as they have a special interest in doing so, they usually take care of the logistics with the department’s support.

“We use these trips to meet MBA candidates and close the circle with the MBA Admissions department. If for example we have a number of MBAs in Brazil, during their stay we organize an event with the Alumni and Institutional Development department and with the MBA Admissions Department so that candidates can meet and exchange experiences with the group of MBAs, local people who are already working in these countries and those who have finished an MBA, so that they can tell their stories in an informal networking meeting,” says **Muñoz**.

OPENING THE DOOR

● The treks are made to the main contracting markets that have a high concentration of a particular sector such as finance in London, pharmaceuticals in Geneva and Zürich, dot.com and technology firms in Silicon Valley and fashion and luxury in Milan and Florence. In other instances it’s because there are a lot of opportunities for MBAs, as is the case in Brazil, New York and Shanghai.

The companies that are sought out are the main contractors of MBAs who understand and seek out the international profile of the school’s students and who can offer them a well structured career in their companies. Very often they are companies that IESE already works with in Europe and which have branched out into these countries, or else local champions, strong companies in the local market. For the MBAs, knowing that they are going to be interviewed by people who are interested in them is a big incentive to sign up for the trek. “We believe that this is the formula that will change the dynamic where everything is concentrated in Europe and will open the door to offers in Asia, the United States and Latin America,” says **Muñoz**.

49TH ANNUAL MEETING OF THE HARVARD-IESE COMMITTEE

DEVELOPING BETTER LEADERS

The Harvard-IESE Committee held its 49th annual meeting on June 18 in Boston. Professors from the two schools reflected on key challenges faced by both institutions. This year, participants in the meeting analyzed various innovations in the MBA programs, such as supporting entrepreneurial initiatives and adapting to globalization. IESE, for example, has led three MBA modules outside its main campus, in New York, Sao Paulo and Shanghai and is working intensely in the area of entrepreneurship. In addition, the group discussed admissions trends, the impact of demographic changes on MBA programs and employment opportunities for students following graduation, among other topics.

Another topic tackled by the committee was the global strategy of business schools. In today's multipolar world, variables such as globalization, the development of a strong global brand and performance in high-growth markets are fundamental for the survival of high-caliber business schools.

The committee, which was founded in 1963, emerged from the close relationship that the two schools share. Members meet every year to discuss topics of mutual interest and exchange viewpoints on management, joint



Harvard Business School

research projects and educational initiatives. The long-standing relationship between the two schools contributed to the launch of the full-time MBA program at IESE - the first of its kind in Europe. It has also led to international executive education offerings such as the Global CEO Program for China.

Other joint initiatives that have emerged include programs such as Achieving Breakthrough Service and Transforming Multibusiness Corporations. The schools have also collaborated to help develop new business schools in emerging regions such as IPADE in Mexico, IAE in Argentina, INALDE in Colombia, IDE in Ecuador and Lagos Business School in Nigeria.

Faculty members attending this year's meeting from Harvard Business School were **Srikant M. Datar**, **W. Carl Kester** and **Richard H. K. Vietor**. Participating on behalf of IESE were professors **Jordi Canals**, **José L. Nueno**, **Joan E. Ricart** and **Eric Weber**.



Jordi Canals
Professor and Dean,
IESE



Srikant M. Datar
Professor of
Accounting, Harvard
Business School



W. Carl Kester
Professor of Business
Administration,
(Finance) Harvard
Business School



José L. Nueno
Professor of
Marketing, IESE



Joan E. Ricart
Professor of
Strategic
Management, IESE



Richard H. K. Vietor
Professor and Senior
Associate Dean,
Harvard
Business School



Eric Weber
Professor and
Associate Dean, IESE

THE WORLD IS MOVING FAST BE FASTER



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New Program. Barcelona, May 27-31, 2013.

LEARNING TO LIVE TOGETHER

What would happen if the euro fell apart? An IESE meeting in London looks at the options in a scenario where the inconceivable is becoming worryingly imaginable.

A good marriage or a messy divorce? This was the question posed about the eurozone by Prof. **Alfredo Pastor** in a meeting organized by the Alumni Association at the offices of asset managers Blackrock in the City of London in June. **Roger Tooze**, Blackrock's managing director of finance, introduced **Pastor** and **Daniel Franklin**, executive editor of *The Economist*, who began the meeting with a discussion of four possible scenarios.

These scenarios amounted to variations on keeping the euro and Europe either stagnating or being successful, or ditching the euro with the same choice of outcomes. "The separation scenarios look very difficult but that that doesn't mean they won't happen," **Franklin** said. "Because of a lack of political will the disaster could happen almost by accident. What is happening in this crisis is that the inconceivable has become worryingly imaginable."

DEBT PROBLEM IS INTERNAL

● Abandoning the euro would lead to protectionism and an endless round of devaluation, said **Pastor**. "If your debt burden is in a foreign currency, even devaluation won't save you. Spain devalued in 1993 but then it didn't have foreign debt." If we follow the divorce route, how are we going to restructure debt amicably? "The burden is too great to go it alone. Europe would have to reconstruct a monetary framework in which the stronger currencies would commit to supporting weaker ones."

Insisting that Europe's problems are not as great as they are painted, **Pastor** pointed out that the eurozone debt problem is internal; it doesn't have external debt. The EU has to guarantee member states' debts, he said, pointing out that in nation states wealthier regions have always subsidized the poorer ones and this is the same for Europe as



WE HAVE THE UNUSUAL SPECTACLE OF A EUROSKEPTIC UNITED KINGDOM CALLING ON THE EUROZONE TO HAVE TIGHTER FISCAL UNION. EUROSKEPTICS SEE THE CRISIS AS AN OPPORTUNITY TO GET UK OUT OF EUROPE”

Daniel Franklin

a whole. “If we had a fiscal union there wouldn’t be a debt problem,” he added. And if we don’t, the cost of borrowing could become so high that a country such as Spain would have no option but to default, he said.

Taking up the question of greater union, **Franklin** commented that there is potentially a big divide between France and Germany over how a federal Europe would look. “The Germans would expect political convergence to precede monetary convergence and but that is not how most people in Europe see it,” he said.

EUROSKEPTICS CALL FOR UNION

● **Pastor**’s view was that the real problem with integration isn’t Germany, it’s France. “I find it very difficult that France will accept just being an equal member,” he said. **Franklin** pointed out that we have the unusual spectacle of a euroskeptic United Kingdom calling on the eurozone to



IN THE NORTHERN VIEW IT ISN’T ENOUGH THAT WE PAY OUR DEBTS, WE ALSO HAVE TO BE PUNISHED”

Prof. Alfredo Pastor

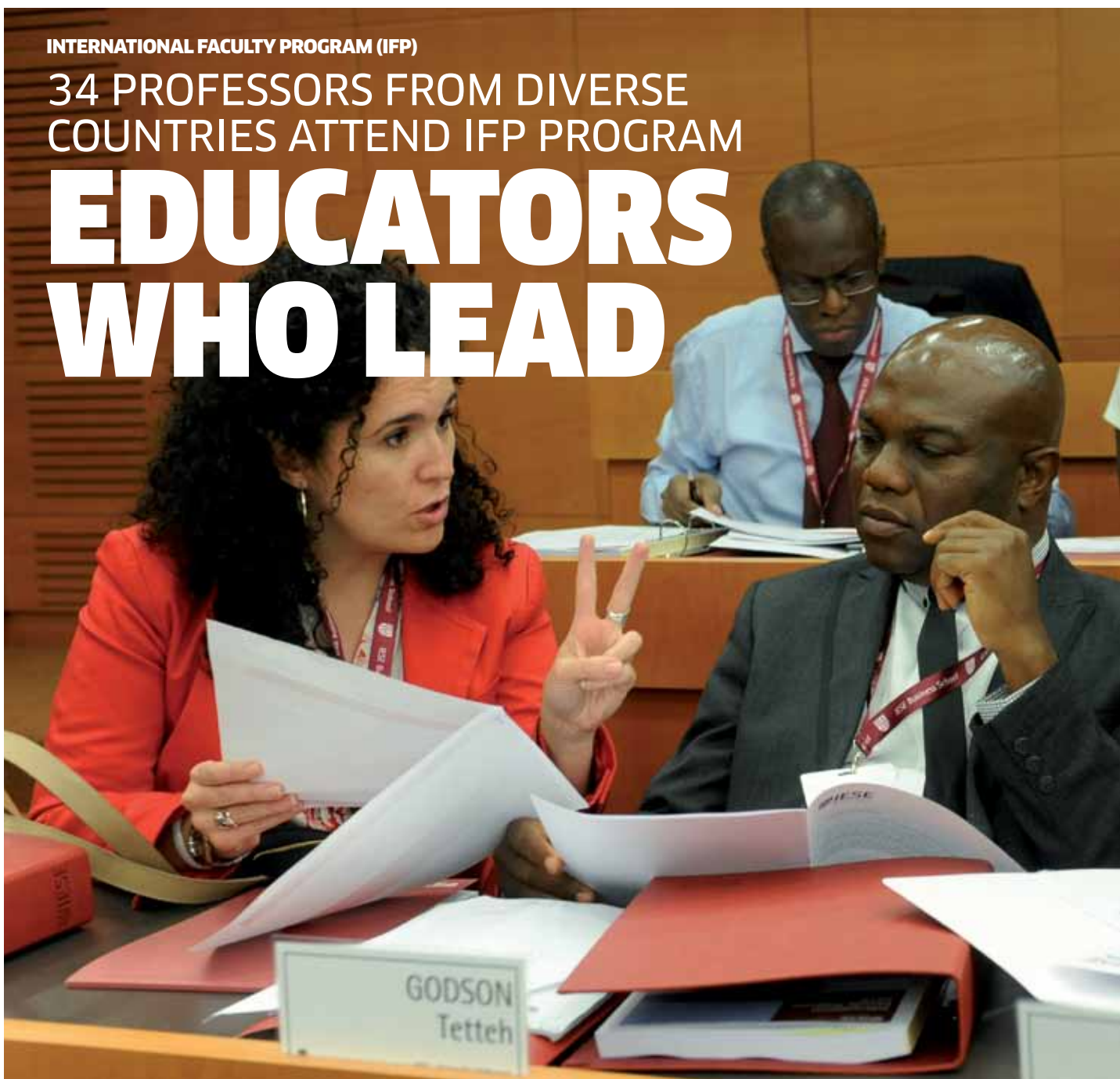
have tighter fiscal union. “Euroskeptics see the crisis as an opportunity to get UK out of Europe,” he said. “Britain may not pull out of Europe but it may fall out of it, especially as all treaty changes have to be put to referendum.” The UK seems to be a spectator but is actually very vulnerable to what happens in the eurozone, **Franklin** said, while **Pastor** said he believed that “the UK is indispensable to the EU.”

Franklin asked **Pastor** if, after a long period of denial, Spain was finally facing up to reality. “There is little left to deny,” **Pastor** said drily, adding that it was an exaggeration to say the entire Spanish banking system is discredited. “Spain is too inward looking and not aware enough of its position in the world and as a result it wastes valuable time when it comes to making decisions. The problem is that, from the northern point of view, it isn’t enough that we have to pay our debts, we also have to be punished.”

INTERNATIONAL FACULTY PROGRAM (IFP)

34 PROFESSORS FROM DIVERSE
COUNTRIES ATTEND IFP PROGRAM

EDUCATORS WHO LEAD



International group of IESE graduates get together to write a book about innovation in business schools.

To make a truly positive impact on society, business schools need faculty members who have outstanding leadership skills, as well as high quality teaching and research capacities. With this in mind, each year IESE leads its International Faculty Program (IFP) for faculty at business schools around the world.

The 2012 IFP, which took place June 4-22, drew 34 young professors from 15 diverse countries to the Barcelona campus. Participants included deans, heads of academic departments, professors and researchers. The three-week program



covers topics such as the case study method, case writing, course design, institutional management and leadership.

Business school faculty members from Pakistan and Kazakhstan also participated in the program, marking further expansion of the highly global IFP. To date, more than 200 professors from different institutions have taken part in the program.

“Most business school faculty members spend considerable time developing high-quality research skills during their Ph.D. programs, but usually they have devoted less time to other important areas such as teaching approaches, course design, leadership and managerial skills, and ca-



SCHOOLS NEED TO INTRODUCE ELEMENTS FROM DIFFERENT PARTS OF THE WORLD TO MAKE IT MORE RELEVANT FOR THE LOCAL MANAGER”

Wolfgang Amann

reer management. The IFP provides business school faculty members the frameworks and tools for improvement across all those areas,” said IFP academic director **Javier Santomá**, IESE professor of financial management.

In a special session, current graduates were able to network with 2011 IFP graduates. The event included the presentation of the book, *New Perspectives on Management Education*, written by IFP graduates **Wolfgang Amann**, **Monica Kerretts-Makau**, **Pio Fenton**, **Peter Zackariason** and **Shiv Tripathi**. The authors are based in Germany, Kenya, Ireland, Tanzania and Sweden.

Inspired by what they had learned at IESE, the five graduates decided to team up to write the book, which focuses on innovation in business schools.

“We decided that our learning journey wasn’t over,” said **Amann**. “Many of us were experts on specific topics, so we decided to combine our perspectives on the challenges of management education and business schools.”

The idea for writing the book was also triggered by the criticism faced by business schools in the aftermath of the financial crisis.

“We decided to take a stand in regard to these main questions and come up with our own solutions for the way forward,” said **Amann**. The book covers a wide range of issues including the importance of localizing content, leadership and humanistic approaches toward business education.

“Schools have to introduce elements from different parts of the world to make it much more relevant for the local manager,” he said. The authors also examine how value created by business schools can actually be measured, applying tools from other fields.

Writing the book was an enriching experience that evolved out of the trust that the classmates developed during the IFP, **Amann** said, adding that it was also “a lot of fun.”

MORE INFORMATION:
www.iese.edu/ifp



GLOBAL CEO PROGRAM

Chinese Leaders Pick Up Tips from the West

Strategy and scale are key issues in the Global CEO Program for China that brings 60 leaders from fast-growing enterprises to IESE.

As Chinese companies continue to expand their global reach, they are paying close attention to European firms' strategies for developing strong international brands.

The global fashion retail company Zara is an example to follow, says **Michelle Chan**, managing director of A.S. Watson Industries Beverages.

Chan, who is based in Hong Kong, was among some 60 leaders of companies based in China who were on IESE's campus May 20-25 for the Barcelona module of the Global CEO Program for China. The program is a special initiative led by IESE, Harvard Business School and the China Europe International Business School (CEIBS).

Chan said that during the Barcelona module she had gained key insights on how many European brands have successfully developed global brands. The case study on the international expansion of Zara was a particular eye-opener, she said.

"It was interesting because they are very systematic and very successful," said **Chan**. Originally founded in 1828 as a small dispensary in the southern Chinese province of Guangdong, **Chan's** firm is currently Asia's largest health and beauty retailer, operating more than 2,600 stores and 900 pharmacies.

Chinese firms can learn a lot from powerful European brands and the region's strong family business culture, she said. The program also provides the chance for Chinese executives to form stronger ties with Europe, which will open the door for business opportunities in the future.

One of the key aims of the program is to help Chinese businesses develop on an international scale.

The learning experience is especially designed for CEOs, board chairs and chief decision makers at fast-growing Chinese enterprises.

"The approach of the faculty members is very practical and down to earth," said **Chan**.

Participants also learn from each other during the program. "It is interesting to get to know other CEOs and share ideas. I have learned how to tackle issues from others who are facing the same problems as me," she said.

The program features residential modules at three locations - Shanghai, Barcelona and Boston. The first module was held in March at CEIBS, the second at IESE and the final module will take place in Boston at HBS, July 15-20.

IESE faculty members leading sessions during the program were **Antonio Dávila**, **José Luis Nueno**, **Pedro Nueno** and **Jaume Ribera**.

MORE INFORMATION:
www.iese.edu/globalceochina

Media Industry Modules in LA and NYC

VIP tours and talks from studio executives and talent agents form part of the third module of IESE's Media AMP which takes place in Los Angeles. The other three modules are held at IESE's New York Center.

During the LA module in 2012, participants visited Technicolor's Hollywood studios for a tour entitled: "Everything You Wanted to Know About 3D & Cloud Media But Were Afraid to Ask." Participants also received a backstage tour of the world renowned Getty Museum with **Mike Rogers**, the Director of Operations, **Bob Combs**, Director of Security, and **Tim Hart**, Head of Market Research.

The Media AMP 2012 list of participants included top-level media and entertainment executives from countries around the world, including the United Kingdom, France, Italy, Kenya, Nigeria, Spain, Mexico, Colombia and the United States.

The very international roster of participants included c-suite level executives, e.g., participant titles include: CEO, COO, president, senior vice president, managing director, director general and general manager. They work for large, medium and boutique media and entertainment companies including Univision Communications Inc., Indomina Group, Europapress, as well as the United Nations.

Several compelling Leadership Forum sessions rounded out the Los Angeles Media AMP 2012 module. In one session, participants attended an intimate presentation and Q and



Participants in the AMP Media during a visit to Hollywood

A session featuring **Peter Benedek**, founder of a leading talent agency, United Talent Agency.

Benedek shared his lessons on managing creative talent in Hollywood and described key challenges that agents face. The presentation was part of the Media AMP's Leadership Forums, a hallmark of the program. The forums allow participants to meet and network with high-level leaders in the media industry.

They attended a similar session in Los Angeles with **Jamie Patricof**, head of Electric City Entertainment.

The program held its final module in New York City, June 11-16, 2012 at IESE's Manhattan campus. Leadership Forum speakers for that module included **Juan Luis Cebrián**, CEO of Prisa and **Tom Rogers**, CEO of TiVo.

The Media AMP is a general management program especially

designed to cover topics such as leadership, managing creative professionals and impact of digitization for senior-level executives of media and entertainment companies.

Participants benefit from stimulating interaction with their fellow participants, media and entertainment executives from around

the world. The friendships and networking among themselves as well as the courses and Leadership Forums all work together to sharpen participants'

management skills and broaden their leadership capabilities. The academic director of the program is IESE Prof. **Mike Rosenberg**. The next edition of the Media AMP will start in January 2013.

Program covers topics such as leadership, managing creative professionals and impact of digitization

MORE INFORMATION:
www.iese.edu/media-amp

ADVANCED MANAGEMENT PROGRAM

A Bright Future for Ivory Coast

Ambassador tells AMP session in Barcelona that the country now enjoys favorable business conditions.

“Ivory Coast’s future is bright,” said **Odette N’Guessan**, the country’s ambassador in Spain, who highlighted the positive investment climate of the country during a special session with participants in the Advanced Management Program 2012 led by MDE Business School.

Favorable business conditions, raw materials and a new government that is open to foreign investment are factors setting the stage for economic growth in Ivory Coast, she said.

Three of the program’s participants presented business people and executives with business opportunities in various financial sectors. The session, which also included the participation of invited business leaders, formed part of the AMP - a high-level program for senior executives. The program featured a module this week on IESE’s campus in Barcelona.

The program brought together around 40 business leaders from Ivory Coast for a week of intensive learning. Classes were taught in French by IESE professors **Franz Heukamp**, **Yih-teen Lee**, **Jaume Llopis**, **Alfredo Pastor** and **Xavier Santomá**.

MDE is among five schools that IESE has helped to create and support through its Africa Initiative,



IESE Prof. Lluís Renart; MDE Prof. Martín Frígola; IESE Prof. Eric Weber; Odette N’Guessan, Ivory Coast ambassador to Spain; Andrés Carasso and Marta Omedes, respectively Ivory Coast honorary consul and vice consul in Barcelona

which is directed by IESE Prof. **Lluís Renart**. “IESE’s mission is to create leaders that can make a positive impact on society. The agreement with MDE demonstrates our commitment to this goal, not only at home but also in emerging countries,” he said.

He added that with this project “we wish to offer information and ideas and help to coordinate the various initiatives taken by the faculty, the chairs, research centers and

all the schools in Africa that are associated with IESE.” These include Lagos Business School, Nile University and Strathmore Business School.

Also during the session, **Lakoun Ouattara**, general manager of the

association CGECI, provided a comprehensive view of Ivory Coast’s economy, highlighting the country’s vast natural resources and high quality infrastructure. An openness to outside investment, high growth rates and ambitious development plans are also positive features.

WELL-BALANCED PROGRAM

Participants have given high marks to the 2012 AMP Ivory Coast program. **Nazaire Gounongbe**, secretary general of the agricultural firm SIFCA, noted the value of “rethinking strategies and thinking from a new perspective” during the program. Meanwhile, **Mariame Diakite**, director of Schneider Electric for West Africa, set great store on the impact of the “the overall program, which addresses many disciplines and is very balanced.”

IESE professors gave classes in French to some 40 business leaders from the West African country

PANKAJ GHEMAWAT DISSECTS SPAIN'S ECONOMIC CRISIS

Low Productivity, the Heart of the Problem

Spanish business needs to address its stagnant productivity and move out of its comfort zone if it is to be competitive.

“The non-tradable sector, that is services, which accounts for a large part of Spanish jobs, has not increased its productivity in 20 years, neither in the private nor the public sector,” IESE Prof. **Pankaj Ghemawat** told a Continuous Education session in Barcelona in early June. The session was titled “World 3.0 and Spain: Solutions to the Crisis,” in reference to **Ghemawat**’s much praised book *World 3.0: Global Prosperity and How to Achieve It*.

Before moving on to the question of Spain, **Ghemawat** discussed the basic tenets of his book, written as a riposte to **Thomas Friedman**’s *The World is Flat*, a popular work on globalization. **Ghemawat** contends that the world is not nearly as globalized as we have been led to think, showing that most countries trade with near neighbors, most university students study in the country of their birth and that the extent of immigration has been exaggerated.

“If you don’t recognize that the world is only 10-20 percent globalized, you’ll miss out on the fact that there are lots of opportunities for integration,” he said.

Ghemawat pointed to persistently low productivity as being at the heart of Spain’s problems with wage rises, albeit from a low base, not being linked to increased productivity. Furthermore, “the least productive Spanish manufactur-



Prof. Pankaj Ghemawat

ers are the ones that don’t export and don’t innovate.” He added that Spain’s level of trade integration is still limited and it is still a relatively domestic economy.

Compared to the United Kingdom, Spain has surprisingly weak trade relationships with its former colonies, although it invests heavily in them. A further problem is that Spain is exporting to countries with low growth, mainly in Europe, which have a shrinking share of GDP.

Spain should have more trade with Latin America and north Africa. Meanwhile, Spanish companies are virtually absent in Asia. “There is a need for Spanish firms to reach beyond their comfort zone if they are to increase exports,” he said.

In conclusion, **Ghemawat** said “the Spanish government isn’t going to solve these problems. Business has to do it.”

“You Are the Connection:”

International Visitors Leadership Program Meeting

Alan Solomont, the U.S. ambassador to Spain, opened the first Convention of Participants in the International Visitors Leadership Program to the U.S. Embassy at a meeting in July organized by the embassy, the VIA-Jefferson Circle and the Alumni Association of the State Department in Spain. More than 140 participants in one of the State Department’s most important exchange programs took part in a series of round-table discussions on IESE’s Madrid campus. The discussions centered on Spanish-U.S. relations from the point of view of civil society, economics and international relations.

The ambassador reminded his audience of “the ongoing relationship between Europe and the United States, which is not just based on trade and politics but on the continuous exchange of peoples.” He told them they were “the connection between the two countries, in business, politics and culture and are proof of the real impact that cultural and educational exchanges can have.”



The U.S. ambassador to Spain

Charting Paths in a Wider World

**GLOBAL ALUMNI REUNION 2012
SAO PAULO, NOVEMBER 1-3**

The Global Alumni Reunion once again leaves Spain to bring IESE alumni together from all over the world. The complete academic and social program of the three-day meeting can be found on the blog: Charting Paths (blog.iese.edu/chartingpaths)

Travel light
as you will be
bringing
a lot back with
you.

CHARTING PATHS
IN A WIDER WORLD

IESE GLOBAL ALUMNI REUNION

SÃO PAULO 2012

NOVEMBER 1-3



Graduations

AMP BRAZIL

The graduation ceremony is on December 11

PMD BRAZIL

The two programs will end on December 4 and 21 respectively.

Value Creation & Value Sharing

**19TH MEETING OF THE HEALTHCARE INDUSTRY
BARCELONA, OCTOBER 2 & 3**

Increased life expectancy has been one of the great triumphs of the 20th century. But greater longevity and huge increases in the elderly population in countries as diverse as China, Japan and Spain gives rise to the need for new approaches, the promotion of healthy living and disease prevention. Health systems have to change to meet the challenges that the miracle of long life has created.

A Week for Entrepreneurs



GLOBAL ENTREPRENEURSHIP WEEK
SPAIN, NOVEMBER 12-18

Global Entrepreneurship Week, coordinated by IESE's Entrepreneurship and Innovation Center (EIC), aims to inspire young people to make their ideas a reality and to help entrepreneurs to grow their businesses through adopting better business practices. To this end a huge number of activities are organized across different Spanish cities during the third week of November.

A Sector on the Move

27TH AUTOMOTIVE INDUSTRY MEETING
BARCELONA, NOVEMBER 6 & 7

The emergence of China as the world's leading car market, accompanied by the steady growth of the electric car market is bringing about signifi-

cant changes in the automotive industry. And, although some of these changes will only come about slowly, they will be irreversible.



John Donahoe and Leslie Moonves

THE WSJ VIEWPOINTS EXECUTIVE BREAKFAST SERIES



The president and CEO of eBay will be the invited guest on the October 31 Breakfast Series when he will be talking with the deputy editor and executive editor of *The Wall Street Journal* Alan Murray.

On the December 4 program the WSJ's Murray will be interviewing Leslie Moonves, the president and CEO of the CBS Corporation.

SHORT FOCUSED PROGRAMS

Developing Leadership Competencies

Barcelona, November 6-9

Advanced Digital Media Strategies: Profiting from the Digital Value Chain

New York, November 13-15

Global Business: Leadership in a Matrix

New York, December 3-5

High Performance Negotiator

Barcelona, January 28-30, 2013

MANAGEMENT PROGRAMS

PLD Barcelona

Barcelona, October 15

Global CEO Program

The first module begins on November 4 in Sao Paulo

SEP New York-Miami

The program begins on October 22 in New York

AMP Munich

The opening module begins on October 8 in Barcelona

AMP Warsaw

The first module begins on October 22 in Barcelona

AMP Barcelona

AMP begins on November 12

Others Industry Meetings

CHEMICAL INDUSTRY MEETING

Barcelona,
October 10, 2012

VI MEETING OF THE SALES AND MARKETING OFFICERS

Madrid,
January 24, 2013

Tomás García Madrid (MBA '88)

“We have to
commit ourselves
to the future
and the next
generation”

ALEJANDRO
LAVARA

“From up here you realize your problems are a tiny drop in the universe and, despite adversity, things function and carry on. This gives you a certain perspective on things,” says **Tomás García Madrid** (Ma-

dríd, 1962) from his office 200 meters above the capital's Paseo de la Castellana. A highway engineer, **García Madrid** began his MBA at IESE in 1996 and nowadays is the president of the Madrid Chapter of the Alumni Association. A lover of the countryside and horses, he is chief executive of Grupo Villar Mir and receives us on the 51st floor of the Torre Espacio, an impressive 57-storey building that is 230 meters high and was built in 2007. It is one of the skyscrapers that make up the

Cuatro Torres Business Area which is home to, among others, the offices of the Grupo Villar Mir holding company. From his office, **García Madrid** enjoys spectacular views of the city.

Does it help to open your mind working at these heights?

It is essential to have an open mind. Right now I'm worried about the situation that we are in but at the same time I'm optimistic. I'm sure that we will get out of this and we will once again have progress and employment.

How has the Grupo Villar Mir holding group changed since you started working here?

We have grown, diversified and become more international. I started working here in 1991. At that time, the



group was made up of the estate agent Espacio and the construction company Obrascón. Our turnover was around €180 million. In 2011 our turnover was €7.5 billion. In 1991 we had around 1,000 employees. Today we have more than 30,000. Then we only operated in Spain whereas now we are in 40 countries. There is really no comparison.

This is an unusual group because it includes very disparate types of businesses.

We see ourselves more as a collection of companies rather than one big conglomerate. We have six business divisions, and each one of them can exist independently of the group. This brings us diversification and, as there

is not much correlation between the sectors, when one is going badly, another goes well. And this gives us a certain degree of stability.

If you had to pinpoint something special about Grupo Villar Mir, what would it be?

We are a family-owned company. Here, 100 percent of the shares belong to the Villar Mir family. That's the imprimatur of the group. In the first place, this means you know who the shareholder is and what their interests are. And secondly, it lets you take a long-term view. We don't think about what the stock exchange is going to say tomorrow or what an analyst is going to say in his next report. We know that the shareholder, the strategy and goals are going to be

PEOPLE

the same today as in two or five years. Furthermore, it's a highly international and a diversified group which puts a great deal of emphasis on R&D.

You have incorporated companies in various sectors, often when they are in difficulty, and have made them stronger. How have you achieved this?

It's true that we bought many companies that were in serious difficulties but we always knew what we were doing. We don't believe that there are good or bad companies or sectors. We think there are companies that are well or badly managed. We've always made a close study of the companies we've acquired and we've always had clear goals. It is impossible to work without goals. We have developed long-term strategies and action plans, we have created the necessary organization to achieve these goals, we have trained and rewarded our people, we have delegated. Thanks to hard work and common sense things have turned out well. But we don't have a magic formula. Whatever the circumstances, you have to persevere, stick to a course of action and follow through. You can't change course every six months.

You operate in 40 countries, among them Brazil, Mexico, China and India, places that have not been much affected by the crisis. Does this account for the group's good financial results?

Without a doubt, internationalization has rescued the balance sheet. In the five years that the crisis has been with us, our consolidated results have been growing at a very satisfactory rate. We carry on making money. True, our Spanish businesses have suffered. Here our main business by volume of sales and generation of EBITDA was construction and construction has fallen by more than half. But we've managed to be able, while selling half as much, to earn half, which isn't always easy. And we've been able to adapt ourselves to the new market size. Furthermore, our loss of sales and income in Spain has been offset by increases in sales and income abroad. There are also other aspects such as strict control of expenses and costs and a smaller structure.

What are the medium- and long-term challenges that you face?

The challenge is always to maintain your leadership position, if you have one. The big challenges are the small daily challenges: controlling costs, increasing productivity, providing a good service to your clients and to continue growing. Then there are the goals. For the past 12 years, since we reached a turnover of €500 million for the first time, we have been growing at a rate of 20 percent per annum. Now our turnover is €7.5 billion. We employ 15 percent more people and have increased productivity by 5 percent per annum. We want to maintain a growth rate of 20 percent in the businesses that we are operating in and to balance the books in all of the businesses within the group, depending on the degree of investment.



You believe the current economic crisis is linked to a crisis of morals and values in society as a whole. Would you care to say more about this?

In Spain, particularly during the past 10 years, we have lived beyond our means and worked less than we needed to. We have become more indebted than necessary and productivity has gone down. This hasn't happened by chance. Spain has lost values such as sacrifice, respect for authority, austerity and temperance. We have opted for laziness, short-termism, self-centeredness and the destruction of the family. We have lost the Christian virtues

➤ THERE HAS BEEN A PROBLEM OF GREED.
EVERYONE HAS WANTED TO GET RICH QUICK
AND THIS TURNED INTO A GIGANTIC CONFIDENCE
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HARD WORK AND RESPECT FOR AUTHORITY.
WE HAVE TO COMMIT OURSELVES TO THE FUTURE
AND THE COMMON GOOD.

that are fundamental to living and living together. We are not only suffering from an economic crisis. The very bones of society are suffering from a form of osteoporosis. We have to commit ourselves to the future and future generations. We have to think of the common good. God has disappeared from our lives and we are paying the price. The moral decline of Western society has brought us to this situation. With the crisis, people have hit bottom. They have collapsed and they don't have the strength of mind to deal with adversity, the strength of mind that comes from having faith and from knowing that there is a superior being who is God who is with us at all times.

So, what have we done wrong?

There's been a problem of greed. We've all wanted to get rich quick, and this became a huge confidence trick. Furthermore, there are many weaknesses in the Spanish system. In 1976 there were 700,000 civil servants; there are now 3,200,000. We have a schizophrenic form of government with up to five different levels of administration. We have to begin to save and to work harder. We have to improve productivity. We're doing this but there is much to do. I believe that all the measures taken since the beginning of 2012 are moves in the right direction. That said, we won't be creating jobs or growing at a satisfactory rate at least until 2014. We face a long period of convalescence but we will emerge stronger from the crisis.

What has IESE contributed to your personal and professional career?

IESE provided me with all the knowledge and tools for company management that I would have had to acquire with many slipups had I not done the MBA. It has been fundamental for my professional career. I only have positive and happy memories of that time. I recall the excellent atmosphere that you breathe at IESE; my class was full of wonderful people. I also very much like IESE's

Christian dimension and recall the professor of ethics, Father **Domènec Melé**. IESE not only developed me as a company manager and executive but helped me to develop as a person. It was there that I learned that you can contribute to the common good by managing companies and being a professional executive. Sometimes people imagine that we executives are all sharks who are only thinking of making money and that we don't care about the common good or our fellow man. At IESE you realize that a business is not just about shareholders, that there are also clients, employees, your financial backers and stakeholders.

What advice would you give to alumni who have just finished or are about to start an MBA?

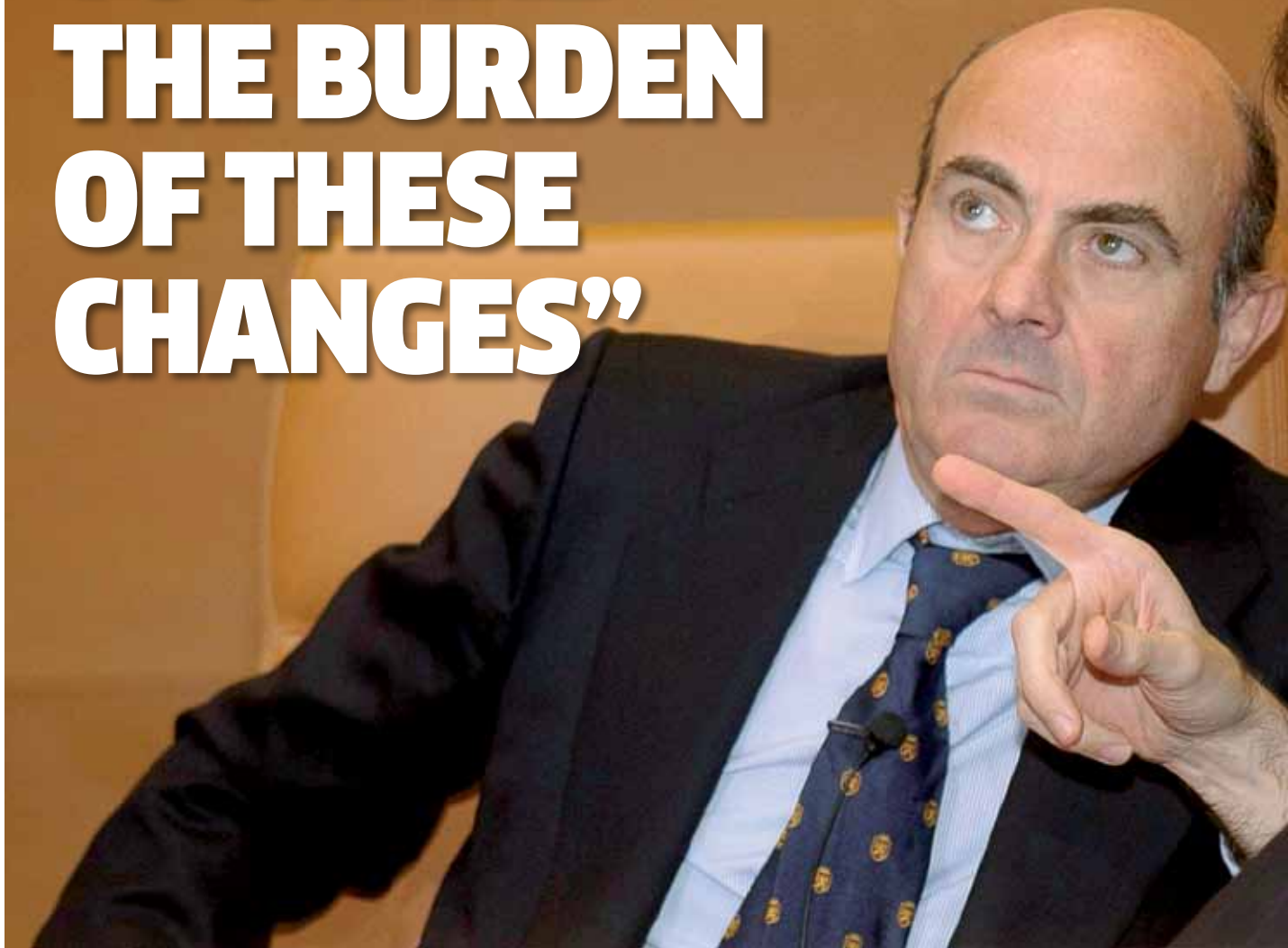
I would tell them that they've chosen a good moment because they're going to graduate just as we're beginning to come out of the crisis. This means that they are going to live through the recovery and there will be many opportunities. I would also tell them to put into practice everything that they've learned at IESE, that they think in the long term, that they be honorable and hard-working. In the end, those who triumph are not the smartest but those who work the hardest. I'd also tell them that they shouldn't lose heart because they're doing an MBA in such a difficult situation but rather the contrary. It is worse to do an MBA on the crest of a wave and then, when you begin your professional career, see everything start to collapse.

So you agree that all crises create new business opportunities?

Crises cleanup sectors because competitors disappear and there are new opportunities and possibilities to get market share. They also clean up companies and encourage internal improvements. A crisis is a time of opportunity for those who can stick it out.

LUIS DE GUINDOS:

**“WE HAVE
TO SHARE
THE BURDEN
OF THESE
CHANGES”**



Spain's finance minister talks to IESE alumni about the outlook for Spain, the eurozone and the international economy.

“In these difficult times we have to spread the load because the adjustments we are making are the basis of our future prosperity,” **Luis de Guindos**, the Spanish minister of finance and competitiveness, told a meeting on IESE's Barcelona campus in July. He asked for extra effort on the part of individuals and companies in the context of the government's austerity measures. “At a time when we are asking people to make sacrifices,



Luis de Guindos, the Spanish minister of finance and competitiveness, with Jordi Canals, dean of IESE

it is essential that executives and boards of directors behave sensitively,” he said. The minister was speaking at a Continuous Education session titled “Future Scenarios in the Spanish Economy” that was moderated by IESE Dean **Jordi Canals**.

De Guindos’ message was that, in Spain, the eurozone and internationally, we have to suffer now in order to enjoy a better future. Increasingly, decisions over the Spanish economy will be taken in context of the Eurogroup in Brussels, he said, adding that this was absolutely normal



WITHOUT SUSTAINABLE
PUBLIC ACCOUNTS WE
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OR SIGNIFICANT
GROWTH”

if we are to achieve greater integration. All member states will have to cede significant degrees of sovereignty. We have already ceded exchange rates and monetary policy and now this is going to extend to national budgets as well.

On the international front, he said that despite the IMF’s prediction of a general slowdown, “Europe is in a better and more consolidated position than the United States and other macro-economic areas.” The fact that Europe is in the eye of the hurricane suggests that “there are some things we’ve done badly,” **De Guindos** said. Spain is doing now what Germany did 10 years ago, which was “major employment reform, increased purchase tax and cuts in social security.” He added that banking and fiscal union are absolutely necessary.

Explaining the government’s measures to balance the economy he said that “the problem is not the short-term changes in the bond rate ... the government is taking these measures to keep its commitment to Brussels to deal with the deficit. We are adjusting public spending and restructuring part of the banking sector which is in difficulties and, thanks to European funds, injecting capital to generate confidence. Without solid financial institutions, the economy cannot prosper,” he said.

De Guindos commented that it wasn’t sufficient to restructure the banks because international investors also need to see that public spending is sustainable. “Without that, we are unlikely to see a significant recovery or significant growth,” he said. It was going to be hard but it would bear fruit in the medium and long term. “If we all work together, we can get out of this,” the minister said.

In an interview with the newspaper *L a Vanguardia* **De Guindos** said that Spain did not need a national rescue package of the type Ireland, Portugal and Greece had required. “Decision-making in the eurozone is slow and difficult,” he said. “This is where the international investors operate and they expose the vulnerable points. At the moment these are Spain and Italy, but in the future there will be others.”

MBA: BEING PUT TO THE TEST

STEPHEN
BURGEN



When the Israeli Amos Gleser and the Palestinian Ayham Shakra discovered that they had been allocated to the same team, both immediately understood that the MBA program was going to be challenging in ways they hadn't imagined.

At IESE the emphasis is on teamwork and from the start MBA students are divided up into groups of eight or nine. The members of each group are deliberately chosen to maximize the diversity of cultural background, education and training and professional experience. As a result any one group may comprise Europeans, Asians and people from Latin America who have been educated in science, law or the humanities and have professional backgrounds in finance, engineering or marketing.

The idea is to take students out of their comfort zone so that they learn to approach problems from a different perspective. They also become accustomed to working in multicultural and multidisciplinary groups in which there is no established hierarchy. Everyone has to learn to live with their differences and accommodate different points of view. However, when an Israeli and a Palestinian found themselves together in the same group, both understood immediately that the MBA was going to present them with unexpected challenges.

The story that **Ayham Shakra** and **Amos Gleser** (both MBA '12) relate below is a perfect illustration of how IESE's policy of maximizing diversity and exposing students to a range of cultures and ideas contributes to creating leaders with a truly global mindset. Before he came to IESE to do an MBA, **Ayham** had never met an Israeli. **Amos'** only contact with Palestinians was as "the enemy" when he was doing his military service. Then, two years ago, they found themselves in the same group of eight on the MBA course.

Ayham was born in Syria and grew up in Abu Dhabi and Canada. His grandparents were driven out of their city in



Ayham Shakra and Amos Gleser

northern Palestine when the state of Israel came into being in 1948. “When I saw my MBA team list I knew from Amos’ name that he was Israeli,” he says. “It was a shock to me and I knew it was going to be difficult. I’d never had any contact with an Israeli before and now I was going to have to work closely with **Amos** for eight or nine months. I knew the MBA would be a challenge but this was an extra challenge. I could have changed my team but that would have been extremely unprofessional. In the world you are faced with situations that you can’t avoid and you have to deal with them. It was also important to me that when he was in the military, **Amos** didn’t serve in combat.”

A CAUTIOUS START

● The two avoided the big political question while they tested the water. “We sniffed around to see what the other one’s point of view was, but we didn’t go too deep,” says **Amos**. “For me the most surprising thing was that **Ayham** considers himself a Palestinian. He introduced himself as being from Tzfat, which is the Hebrew name for Safad, the town where his grandparents lived. So that was

pretty pointed. It was surprising that someone who was not born there or lived there considered himself a Palestinian. But this also clarified for me how great the trauma and the pain is. No matter what I think about it, the fact that he considers himself a Palestinian has to be respected. It doesn’t matter what’s right or wrong, what matters is what people feel.”

Ayham says he believes the two peoples can learn to live together, though he tempers this optimism with the rider that this coexistence might take another century or two to come about. “Before I met **Amos** I never thought assimilation was possible. But in the environment we live in at IESE we were able to become friends because here your rights as an individual are guaranteed. I have become more sympathetic, especially regarding the Holocaust, which is perhaps the thing I identify with most. That’s where they get their survival instinct and with something like that behind you, you are going to fight to the death. And we Palestinians are the same.”

Aside from their common history and a land that some of them share, albeit unwillingly, Israelis and Palestinians are among the most educated and highest achieving people in the



I'D NEVER HAD ANY CONTACT WITH AN ISRAELI BEFORE AND NOW I WAS GOING TO HAVE TO WORK CLOSELY WITH AMOS FOR EIGHT OR NINE MONTHS. I KNEW THE MBA WOULD BE A CHALLENGE BUT THIS WAS AN EXTRA CHALLENGE. I COULD HAVE CHANGED MY TEAM BUT THAT WOULD HAVE BEEN UNPROFESSIONAL. IN THE WORLD YOU ARE FACED WITH SITUATIONS THAT YOU CAN'T AVOID AND YOU HAVE TO DEAL WITH THEM."

Ayham Shakra (MBA '12)

Middle East. Do their differences really outweigh what they have in common? "I feel I have more in common with **Ayham** and with any Arab than with Europeans in terms of culture or sense of humor or openness," **Amos** says. Then he adds with a rueful smile that "maybe it's also because I would like this to be true, because I want to show that we can be friends."

THE BURDEN OF HISTORY

• And so it goes around. On the one hand there is friendship and goodwill, on the other, a seemingly intractable reality. "The facts are the facts," says **Amos**. "The occupation is not a good thing, but it's a fact. It's important to understand how you got to this situation but it's still not a good thing."

"Our problem with Israel is not because it's Jewish, it's because we believe they are doing something that is unjust," **Ayham** insists. "My friendship with **Amos** proves I have nothing against him as a human being. My conflict with him or Israel is based on something that I perceive as unjust. And when that injustice ceases to exist, there won't be a problem."

The first time they openly discussed the political issue was during the second year of the MBA when Prof. **Albert Ribera** invited them for lunch to share their views on the issues. He remembers that "it was not easy, both of them were tense, but little by little the conversation became more open and disagreements were shared in a very respectful way." Later, Prof. **Ribera** invited them to discuss the Israel-Palestine conflict in a session of the geopolitics course that he teaches at the MBA. **Albert Valentí** (MBA '12) attended the session and recalls that it was very moving to see how "they had become friends in spite of their opposing points of view. In the program you

can speak openly about anything and, even if we can't solve these problems, it's useful to see them from other points of view."

The peace process has been stalled for several years now and in so far as there is any discussion of conciliation, it is in the context of a one- or two-state solution.

"One state," **Ayham** says without hesitation. "Two," says **Amos**, equally adamant. "It has to be a unified, secular state, civil rights for all," **Ayham** says. "No segregation. If **Amos** and I hadn't been on the same team, we wouldn't be friends. If it's two states we'll never have to deal with each other and the problem isn't going to be solved."

"Two," insists **Amos**. "One Jewish-Israeli and the other Palestinian. Israel needs to be a Jewish democratic state and for that it needs a Jewish majority. If you open the borders in the long term you won't have a Jewish state and you will find yourself back where you started 70 years ago hoping that someone will protect you and take care of you."

As for business, both are keen on staying in Barcelona and both would like to be involved in a start-up. "I would be very happy to have a start-up with **Amos** but I cannot do it with someone from Israel because it would mean I am condoning what Israel is doing."

"I would love to start a business with **Ayham** but I don't think his family would like it and I understand why **Ayham** feels he couldn't do it, but this is the heart of the problem."

Nonetheless, they leave IESE not just with an MBA but with something that wasn't on the syllabus: a friendship that may in due course prove to have been a turning point in their lives. They say that love conquers all; the problem is that, when it comes to Israel-Palestine, they don't say when.

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● **Sub-contracting**



THE FEMININE CENTURY

Women bring a more cooperative approach to the business milieu with an emphasis on teamwork rather than competition.

The Alumnae Conference held on IESE's Barcelona campus in July took as its theme "The Feminine Century." After the conference **Nuria Chinchilla**, professor of managing people in organizations, and two of the participants, **Gloria Perrier-Châtelain** (EMBA '93, AMP '10), global director SAP digital marketing strategy, who is also president of the IESE French alumni chapter, and **Clemencia Restrepo de Tobon**, (MBA '76, SEP Miami '09), president of MCTR management consultants, took part in a round-table discussion on how women are changing the business landscape.

Perrier-Châtelain highlighted that companies with more women in their executive committees have better financial performance. She talked about her company's policy of increasing the representation of women in leadership positions, and its belief in diversity as an important business differentiator.

"People are demanding more women in executive positions because we've proved that we're often better," **Restrepo de Tobon** said. "We have a sixth sense, so with the five men have, we have 11, and that's good for everyone." She added that women approach leadership from the point of view of empathy. "We are more aware of the human side of management but we also bring a lot of creativity to management decisions," **Perrier-Châtelain** added. "We don't build networks, we build relationships."

Chinchilla said that to have a token woman on the board won't change anything. "You need critical mass to change a culture. In business we have been imitating men,



so in business culture we are more like male executives than we're like other women."

Perrier-Châtelain agreed: "We have imitated men but this is exactly what we shouldn't do because then we are losing out on gender diversity."

All three agreed that women have to work harder than men to succeed and also agreed that the biggest problem is invisibility, that if a man is in the room he commands the attention. **Restrepo de Tobon** said that women have to adopt a more tactical approach if they want to be successful.

"I had to recognize early in my banking career that I had to accept positions without having the same pay or the same title," she said. "But I believed that I was going to be better off doing the same as a man and the title and the salary is going to come - late, but it's going to come. In



Prof. Nuria Chinchilla, Clemencia Restrepo de Tobon and Gloria Perrier-Châtelain

the meantime I exercised my informal power. I had to be very creative to get the information I needed to see if they were treating me fairly.”

PLAYING FOR THE TEAM

● Chinchilla added that women have a more balanced idea of what success is. “We want a balance between our personal and professional life, not just external recognition.”

“We tend to be less interested in success that comes from competing with others because we understand success more in terms of the team, we honor a culture of inclusion over hierarchy” **Perrier-Châtelain** said. “As female leaders we recognize intuitively different perspectives, interests and needs within a team; this helps us to energize

people to work together; detect synergies and increase collaboration with other teams

“Their advice to young women thinking of pursuing a business career was, first of all, to do an IESE MBA. “If it wasn’t for the IESE MBA I wouldn’t have had such a beautiful career,” said **Restrepo de Tobon**.

“To be the master of your destiny you need to know where you’re going,” **Perrier-Châtelain** said. “You have to be ready to leave your comfort zone and take risks, accept new challenges and responsibilities and regularly seek feedback. All it takes is passion and a positive attitude.”

They all took the view that companies have become much more family responsible overall. “The 21st century will be the century of the three Fs: flexibility, femininity and family,” **Chinchilla** said.



Eyal Gerber

EYAL GERBER (MBA '12)

GIVING NEWBORNS A GENTLER START IN LIFE

Device Uses Light to Detect Bilirubin

One of a newborn baby's first experiences is having the sole of its foot pricked so that its blood can be tested for bilirubin, an indicator for jaundice. Now, thanks to an ingenious invention, the child's arrival into the world may be a little less painful. **Eyal Gerber** (MBA '12) and Gerium Medical, the company he founded with his father, has come up with a non-invasive device that measures bilirubin using light frequencies.

Gerber studied electrical engineering in Israel and then as part of his military service he undertook specialized studies that included working for a firm that made medical devices. "After my service in 2009 I was young and without many ties so I decided to try something on my own," he says. By chance, he discovered his former professor had an idea for a non-invasive technique for

testing for bilirubin. “He had developed a prototype of a device to measure bilirubin levels in neonates and had conducted clinical trials on over 400 babies, but he had no idea how to bring it to market so it was gathering dust in a drawer.”

Gerber had limited business experience himself, but his father did, and between them they managed to raise \$550,000 from Naiot, an early-stage venture capitalist, with help from the Israeli government. However, this was barely enough to complete the development stage. Conscious of his lack of business experience, **Eyal** decided to do an MBA. “When I came to IESE I didn’t even know it had a VC fund. After my first trimester I presented the idea to FINAVES.”

Thanks to its support he attracted the interest of a major multinational (who cannot be named at pres-

ent) and that brought in other investors. “We have had two rounds of investment from FINAVES: first for the device, and then for a new version of the device which will also measure hemoglobin as well as bilirubin using spectroscopy. This is an untouched market and a great opportunity for us and FINAVES.”

Gerber says the company is also looking to develop a platform for multi-parameter patient monitoring, a much bigger market, worth billions of dollars. Not everything can be measured by spectroscopy. “The great challenge is to measure glucose non-invasively,” he says. That would open up huge possibilities in the treatment and management of conditions such as diabetes.

MORE INFORMATION:
www.geriumltd.com



Prof. Alberto Fernández Terricabras

FUNDING ENTREPRENEURIAL INITIATIVES

Prof. **Alberto Fernández Terricabras**, the director of FINAVES, moderated the Continuous Education session titled “In search of funding: the entrepreneur’s options” during the Entrepreneurial Initiative Cycle.

The conference was held from June 18 to 21 on the IESE campuses in Barcelona and Madrid and speakers included **Antonio Giralt**, president of the alternative stock market, **Óscar Farrés** (MBA ’03) investment manager at Caixa Capital Risc and **Isidoro Sánchez**, a private investor.

Various recommendations emerged for entrepreneurs who are looking for venture risk capital for their start-ups:

1. The key factor is the execution, not the idea.
2. A good business plan. Facts are more convincing than words.
3. You don’t have to be a pioneer. You can start out by copying and adapting existing projects.
4. It’s vital to formulate a clear and innovative value proposition.
5. You can reach a big market but not if you fall into the top-down trap. The analysis should be based on bottom-up and based on real knowledge.
6. The team should be made up of people who are focused on the product, passionate about the market and oriented towards the facts.
7. Opt for scalability, that is, establish a consistent business model that can adapt to growth. If it’s not well planned “you can die of success.”
8. Exit strategy: you must be prepared to sell. In order of profitability, the options are: stock market listing, industrial sale or sale to another fund.
9. It is important to assess whether the business model can withstand pressure from risk capital if you want to maintain control of the company.
10. Be aware that you are not the only person running the company.
11. Knock on as many doors as possible.
12. It’s vital to carry out an analysis of the risk capital fund before and during the process.

MORE INFORMATION:
www.iese.edu/finaves

ENTREPRENEURS BREAKFAST MEETINGS

Starting Up Is Just the Beginning

MBAs Share Experiences

Meetings bring together aspiring entrepreneurs and people who have already set up a business.

The latest in the series of Entrepreneurs Breakfast Meetings organized by London alumni was held in June in a private club just off the Strand in London. The quarterly meetings, which began in 2010, are the brainchild of **Patrick Kelly** (MBA '01) and other London-based IESE graduates who were interested in setting up businesses and wanted to hear from others who had already done so.

The meetings are run under the general theme "Started Up" and usually comprise a panel of entrepreneurs who are involved in a range of very different businesses. They talk about their experiences, the day-to-day reality, getting funding and relate tales of the plan versus the reality. This is followed by a question and answer session.

"We chose a breakfast because most people are free then and we also like to hold them at private clubs to get away from a corporate

setting," says **Kelly**. "We have a panel and people like the format and they get engaged. There were about 15 people at the first meeting but that's grown to around 50 or 60."

He adds that other schools are now involved, including London Business School, Kellogg and Insead. IESE and LBS are joint sponsors of the meetings.

BURRITO BONANZA

Around 50 people gathered for the June meeting which involved a panel of three entrepreneurs, moderated by **Rob Johnson**, professor of entrepreneurship at IESE. The first speaker was **Brandon Stephens**, a London Business School and Princeton graduate and founder of Tortilla, a chain of nine outlets in London selling Californian-Mexican burritos. He said he started the chain because he wanted to eat Mexican food. He drew up the business plan as a second-year MBA project. He started out with 40 small investors and recently closed a £3.5 million (€4.2 million) round of financing with Quilvest. "When the first customers came into the first shop I was in tears," he said.

He was followed by **Ernesto Suárez**, an IESE graduate and founder of iCarHire Insurance, an

online seller of insurance products covering excess payments on rental car insurance policies. "I saw a niche where no one had really exploited car rental on the Internet," he said. "We sold two policies the first day. We have been trading for two and a half years and last year we sold 110,000 policies. This is a product with global potential. If you build a good product, with social media word of mouth goes a long way and people do your marketing for you."

NEEDLE IN A HAYSTACK

The last to relate his experiences was **Ritz Steytler**, an LBS graduate, who led a management buy-in and growth capital investment in Servebase, a global payments processing company, after a sponsored search. "It's all about a single opportunity, buying it and taking it

to the next level. The point of the search, which can take as long as two years, is to find a viable company in a growth industry. Finding the right company is like finding a needle in a haystack." He said he always wanted to buy a technology company because that was his background and his main strength. "In Europe you need to prove your credibility if anyone's going to lend you money," he said.

"When the first customers came into the first shop I was in tears"

JOSÉ MANUEL GONZÁLEZ PÁRAMO

Former ECB member Joins IESE Faculty

• José Manuel González Páramo, a former member of the executive committee of the European Central Bank has joined IESE as visiting professor in the economics department. His research and teaching will focus on the financial crisis and the reform of the main institutions associated with the euro. **González Páramo** sat on the executive committee of the ECB from 2004 until 2012, a post he held after being a member of the Governing Council of the Executive Commission of the Bank of Spain. He has also worked as a researcher and consultant for the Spanish Internal Revenue ministry, the World Bank in Washington D.C., the Interamerican Development Bank in Argentina,



the European Commission and the European Academy of Arts and Sciences. He has a degree in economics from the Universidad Complutense in Madrid, an M.A. and M.Phil in Economics from Columbia University in New York.

AWARDS

• **Pascual Berrone, Fabrizio Ferraro and Joan Enric Ricart** received an honorable mention at the 4th annual Dr. Alfred N. and Lynn Manos Page Prize for Sustainability Issues in Business Curricula for their course in the Doctoral Program "Strategic CSR & Sustainability."

• **Prof. Pascual Berrone** also received the "Emerging Scholar Award", granted by the Academy of Management (AOM) and Natural Environment Division ONE. The award was presented during an AOM meeting in Boston in August.

• **Prof. Roberto García Castro** received the "Entrepreneurship Division's Best Family Business Paper Award" 2012 for his paper "Revisiting the link between family involvement in business and performance: A set-theoretic approach", which was written jointly with **M^a. José Casasola-Martínez**, professor at the Universidad Carlos III.

JAPANESE ALUMNI INITIATIVE

Barça Come to the Aid of Tsunami Victims

• In August Japanese alumni brought 18 children from Miyagi in the Tohoku region, one of the regions of Japan that were most badly affected by the 2011 earthquake and tsunami, for a visit to Football Club Barcelona.

The children, who play for Watano-ha FC, visited the club's museum, watched the opening game of the season and accompanied the players out onto the pitch for the Joan Gamper Estrella Damm Trophy. They were also given shirts autographed by Barcelona's star player, **Lionel Messi**.



The aim of the event was not just to attract attention to the donation campaign for earthquake survivors but to use sport as a means of helping children psychologically affected by the earthquake. **Naoki Okutani** and **Ryota Ijichi** (MBA '13) and **Soichiro Sekito** (MBA '12) approached FC Barcelona with the plan after IESE's dean **Jordi Canals** had put them in touch with the club's executives. They later discovered that the club receives thousands of requests of

this nature every year and they were lucky to be among the two or three that were chosen.

This event was made possible through the support of the Consulate general of Japan in Barcelona and the sponsorship of a group of Japanese businesses and alumni: Souseikai, Weava Japan, Manabe Zoki and Ac-west. **Masayuki Manabe** (MBA '13), also sponsored this event through his family business and many alumni contributed from their own pockets.

UN FAMILY PROGRAM
COORDINATOR SPEAKS
AT IESE

New Fronts in the Struggle for Family–Work Balance

Nearly 20 years after the first International Year of the Family, an initiative created by the United Nations in 1994 that is celebrated once a decade, developments in society have opened new fronts in the struggle for practices that contribute to a healthy family-work balance.

In her visit to IESE's Barcelona campus, UN Family Program Coordinator **Renata Kaczmarek** pointed out that, despite progress in legislation regarding gender equality and family benefits, the changing nature of today's jobs and workforce has raised new challenges for policymakers. One of the most pressing issues worldwide, according to **Kaczmarek**, is the need for countries to adopt a "dual-earner system." Currently, 52 percent of women form part of the global labor force, a percentage that will continue to rise in coming years and a reality that has already prompted a major restructuring of social trends.

Prof. **Nuria Chinchilla** pointed to a study that reveals the single earner mentality in regard to family life. Despite the fact that both parents have equal responsibility for child care, the study shows that men spend an average of 24 minutes a day with their children while women dedicate three hours.

INDUSTRIAL EXCELLENCE AWARD

High Flier Takes Industry Award

Aernnova, the international aeronautics company, has won the Industrial Excellence Award Spain 2012. The prize is awarded to companies whose operational and management excellence have contributed to the competitiveness of Spanish business.

The award ceremony was held on IESE's Barcelona campus on July 18 and was organized by the CELSA Chair "Competitiveness in Manufacturing" in conjunction with INSEAD, WHU and the Rotterdam School of Management.

Senior executives representing the finalists discussed the aspects of their strategy that had been praised by the jury.

The Aernnova award was accepted by **Joseba Pérez**, executive vice president of aerostructures, and **Santiago Azcárraga**, vice president of quality. The other finalists were Alzamora Packaging, Europastry and Volkswagen Navarra. Between them, the finalists of the Industrial Excellence Award Spain make up a group of companies that contribute 1.4 percent of Spain's GDP.

Some of the top business schools have launched similar initiatives, such as INSEAD in France, WHU in Germany, the Rotterdam School of Management in Benelux and the Judge Business School in the U.K. The prestigious Industrial Excellence Award was initiated 15 years ago.





GREECE AND THE EURO - WHAT HAPPENS NEXT?

Stumbling Towards the Grexit

How is it that Greece, which represents a tiny percentage of the European economy, has become the litmus test of the viability of the euro? This was one of the questions addressed at a special session organized by IESE's Public-Private Sector Research Center yesterday in Barcelona.

The session, titled "The Euro Crisis and Greece. What is Next?", was opened by Prof. **Xavier Vives**, professor of economics and financial management at IESE, who presented a picture of GDP growth, balance of payments, debt and competitiveness across the euro area.

He then introduced **Gikas A. Hardouvelis**, professor of finance and economics at the University of Piraeus, Greece, and former director of the economic office of the Greek prime minister **Loukas Papademos** of the coalition government. He titled his contribution "Grexit: a possibility that carries significant costs" and said that "Greek vulnerabilities could lead to an involuntary exit from the euro."

"If we keep cutting and cutting there is no way we'll get out of recession," he said. "You can always cut costs, but raising money is another matter."

APPOINTMENTS

JOSÉ MIGUEL ARGÜELLES

❖ Joins IESE as lecturer in the Strategic Management Department. He has an IESE MBA and an economics degree from the Universitat de Barcelona.

MIREIA GINÉ

❖ Joins IESE as an associate professor in the Department of

Financial Management. She has a Ph.D. from the Universitat de Barcelona and a masters from the Universitat Pompeu Fabra.

JOAN JANÉ

❖ Has joined IESE as a member of the Department of Production Management, Technology and Operations. Jané is a graduate with a Ph.D. in industrial engineering from

the Universitat Politècnica de Catalunya.

ALBERT VALENTÍ

❖ The managing council has approved the incorporation of Albert Valentí as a researcher in the Marketing Department. He has a degree in industrial engineering from the Universitat Politècnica de Catalunya and an MBA from IESE.

ANNE SWEENEY

SWITCHING TO A NEW IDEA OF VIEWERSHIP

The Wall Street Journal Viewpoints Executive Breakfast Series
Organized by IESE and BCG

At Disney, broadcast viewership today is measured “across all screens,” said **Anne Sweeney**, group president of Disney/ABC Television Group. Declining TV viewership is not a concern since it is being offset by a growing number of viewers on platforms, such as tablets and mobile devices.

“We’ve been working with Nielsen to ensure we have truly accurate measurements,” said **Sweeney**, who was interviewed in May by **Alan Murray** at the WSJ Executive Breakfast Series, sponsored by IESE and BCG, in New York City on May 17.

The company now looks at viewership “holistically,” she said. Disney has numerous content engines producing both scripted and unscripted content through the Disney channel portfolio, ESPN and ABC that is seen on a variety of screens.

“So I actually see a very bright future,” she said.

Today’s fast-paced media environment, with live digital streaming on the Internet, presents new competition for Disney – something the company is used to, she said. “We’ve always had a lot of competition – we’ve always competed with people’s leisure time and activities, we’ve competed with video games.”

“Quite frankly, I love competition,” she said. “I think it’s the healthiest thing for our industry, to

have other people doing great work out there.”

What will continue to set Disney apart are its strong brands, such as Disney, ABC, ESPN and Marvel, she says. “We have a tremendous amount of strength in those brands.” At the same time, the company will also have to keep offering content that is relevant to audiences.

Sweeney says her very simple definition of a brand is “the relationship you have with your consumer.” And that relationship, she continued, “has to be as important, as relevant and as current as the relationship you have with your family and your friends.”

She also discussed Disney’s recent agreement with Comcast Cable Systems, which boosts Disney’s capac-



ity to offer more live programming through multiple devices.

The agreement has not only expanded the scope and opportunities of both companies, but also highlighted the need to be fast and nimble for customers.

A key to success in today's fast-moving technology environment, she says, is R&D – an area that has been at the heart of the Disney company since it was founded.

Another requirement is “working with other people who are as excited about the future as you are” and who are willing to pay attention to the consumer. Every time a new piece of technology emerged, **Sweeney** said, she made sure that her team members received the device so they could talk about how it could be used by the

With every new device that comes out we have to reevaluate the business models that we're using”

Walt Disney Company. She also encouraged team members to use the devices themselves and find out how consumers were using them, in order to adapt the company's strategy.

“With every new device that comes out we have to reevaluate the business models that we're using,” she insisted.

Sweeney is co-chair, Disney Media Networks, and president, Disney/

ABC Television Group, which includes The Walt Disney Company's global entertainment and news television properties, owned television stations group, as well as radio and publishing businesses.

In this role, **Sweeney** oversees ABC Studios, the ABC Owned Television Stations Group and the ABC Television Network, which provides entertainment, news and kids programming to viewers via more than 200 affiliated stations across the U.S. She also oversees Disney Channels Worldwide, a portfolio of 100 child-driven, family-inclusive entertainment channels and feeds, including Disney Channel, Disney Junior, Disney XD, Disney Cinemagic, Hungama and Radio Disney brands.

CARLOS GHOSN

RENAULT-NISSAN ALLIANCE CEO AN ELECTRIC FUTURE

The Wall Street Journal Viewpoints Executive Breakfast Series
Organized by IESE and BCG



At the end of the day, the EU and the euro will survive the current economic crisis, says **Carlos Ghosn**, Renault-Nissan Alliance CEO, in an interview with WSJ deputy managing editor **Alan Murray** for the Executive Viewpoints Series, sponsored by IESE Business School and BCG on June 12.

Although it may take time, European leaders will find the solutions necessary to avoid a break-up, **Ghosn** said.

Nevertheless, European companies face the prospect of difficult times ahead, with a stagnant economy predicted for the next four to five years, he said, adding that growth will peak at 1 percent in a best-case scenario.

"We always need to plan for the worst and hope for the best and for the

moment we're planning for the worst," he said. "And the worst is now."

The car market is down more than 15 percent in France and more than 8 to 9 percent in Europe, he said. Uncertainty, due to the persistent fragility of the euro and political tensions in the euro zone, has led consumers to halt spending, he said.

Virtually every incumbent European leader has lost in recent elections, reflecting the public's desire for change and a more stable environment. It is "normal," he said, that in this context people cut back on expenditure such as cars.

Ghosn said he is optimistic that European leaders will make some critical decisions over the next few months in order to put the euro zone back on track toward stability.

THE FUTURE OF ELECTRIC

● Renault-Nissan has been a major investor in electric vehicles. **Ghosn** said that the future of the industry looks positive because it is being driven by governments as well as companies. In fact, the Chinese government is planning to have 5 million electric cars on the road by 2020. This is leading car companies to start investing in "new energy cars" in order to be able to compete in China.

Despite low sales of electric cars in the United States, the global trend toward electric cars will be unstoppable, he said. In 2011, the company sold just 25,000 Leafs - the top-selling electric car - but the goal for this year is double that, he said.

The transition to electric will require consumer adaptation and new infrastructure, which will happen gradually. One stumbling block is consumers' lingering concerns about the limited range of electric vehicles.

A CEO's responsibility, he said, includes taking care of the company's future growth. By investing in the Leaf, the company is committing to a strategy for the future. Moreover, the Leaf is the only electric car on the streets of the United States today, which means other companies face the challenge of bringing cars to the market that can actually compete, he said.





CREATIVITY, VISION AND INNOVATION

2012 AMP-PMD REUNION IN NEW YORK BRINGS GRADUATES TOGETHER TO LEARN AND NETWORK

Participants in two of IESE's key international programs for executives - the AMP and PMD - gathered at the school's New York Center on June 1 for their 2012 reunion. The event combined high-level academic sessions with a valuable networking opportunity for IESE's growing community of graduates based in North America.

The theme of the reunion was "Creativity, Innovation and Vision: What You Need to Succeed in the New Global Environment." Under this umbrella topic participants took part in key sessions on pertinent issues in finance, technology

and innovation. In the first academic session, Prof. **Ahmad Rahnema** and Prof. **Hillel Maximon** examined themes in the film *Other People's Money* with **Gregory Peck**, and wove key issues of the story into a riveting discussion. Other professors leading sessions during the event were

High-level academic sessions combined with networking opportunities for IESE's U.S. alumni

Eric Weber, director of IESE's New York Center and professors **Sandra Sieber**, **Paddy Miller** and **Thomas Wedell-Wedellsborg**.

An executive panel discussion featured the participation of **Luc Haegemans** (AMP '11), Secretary General, Member of the Executive Committee, BNP Paribas Fortis; **Veit Schmid-Schmidfelden**, (AMP Munich '11), CEO, Fertinger; and **Fernando Val** (PMD '11), COO, Vueling.

The following day, participants and their partners enjoyed two cultural activities in New York City - a Hudson River Cruise and a High Line Walk along a former elevated freight rail line in Manhattan.



PORTUGAL: KICK-STARTING THE ECONOMY

**IESE REGIONAL ALUMNI CHAPTER HOLDS
ANNUAL REUNION IN LISBON**

About 100 alumni and invited guests took part last May 30 in the annual reunion of IESE's Alumni Chapter in Portugal. The theme of the event, held in Lisbon, was "Economy Perspectives: Challenges for Portuguese Companies."

Among those providing their perspectives during the reunion were **Jaume Llopis** of IESE; **Carlos Carapeto** of IAPMEI; **Carlos Henriques**

of Pescanova; **Luis Pereira Santos** of Sovena and **Tiago Vidal** of Sonae Sierra. Spearheading the event's organization was IESE's Portugal Chapter, led by **José Gabriel Chimeno** (PDG '95), president, and **Nuno Saraiva de Ponte** (MBA '05), vice president.

The Continuous Education event featured a session on how to lead in times of crisis, followed by a panel discussion with business leaders from diverse sectors. An open discussion, moderated by **Nuno Saraiva** concluded the discussions.



THE LATEST ON IESE'S ALUMNI CHAPTERS

CHAPTER NEWS

NEW YORK

May 17

- New York alumni celebrated the spring version of Bar of the Season with a picnic, which was followed by a summer meeting on July 26.

MOSCOW

May 21

- The Russian capital hosted a Continuous Education session with Prof. **Pedro Videla** who discussed the economy in a talk titled "Global Economy Outlook." The meeting was held in the official residence of the Spanish ambassador.

June 28

- Moscow alumni met again in June for a dinner with Prof. **Albert Ribera** who discussed his research and the latest news from IESE.

SAO PAULO

May 22

- Prof. **Xavier Oliver** gave a session at ISE's center in Brazil titled "Marketing 3.0: straight to the point. Are agencies as much use for brands as they used to be?" In recent years we have witnessed big changes in the communications market. Agencies, which were the marketing stars, have been marginalized by companies

such as Apple that scarcely use conventional advertising. **Oliver** looked at this phenomenon and discussed how companies can use their creative power to improve their business.

COPENHAGEN

May 23

- The Chapter organized a meeting in the United Nations Office for Project Services (UNOPS) on the topic of "Innovative Leadership". Participants included **Steffen Kragh**, president and CEO of Egmont; **Jan Mattsson**, executive director of UNOPS; Prof. **Paddy Miller** and **Thomas Wedell-Wedellsborg**, a guest lecturer at IESE and co-author

with **Miller** of the book “The Innovation Architect”. **Mattsson** discussed the work of UNOPS and how it uses an auto-financing model to develop projects. He emphasized the multiple focus taken by the organization in order to create a better world, from mine-clearing Afghanistan to building schools in developing countries. **Paddy Miller** and **Wedell-Wedellsborg** debated the key role of leadership in driving innovation, emphasizing that leaders need to encourage their staff to be more innovative. The final talk was given by **Kragh** who gave various examples of inspirational innovation within Egmont, such as its weather forecasting unit, StormGeo, which has found a new and lucrative market in the oil industry. The meeting was organized thanks to the alumni **Vitaly Vanshelboim** (AMP ’11), **Martin N. Knudsen** (MBA ’05) and **Erik Boyter** (G-EMBA ’05) and UNOPS.

SINGAPORE

May 30

- Alumni attended a Continuous Education session titled “Trends, challenges and opportunities” given by Prof. **Jan Oosterveld**. In spite of constant change, things are more predictable than you might imagine. Long-term trends can reveal with surprising clarity business challenges and opportunities. The professor used an interactive session to examine key trends and their implications for management, innovation, education and public policy.

BERLIN

June 12

- German alumni held an informal dinner in Berlin at which they shared memories and plans in the company of Prof. **Eric Weber**.

CHAUSSY

June 12

- Many groups of alumni get together to play golf and to this



1



2

1. Copenhagen. 2. Sofia

end the French Chapter organized “IESE Alumni Introduction to Golf & Tournament” that brought together beginners and the more experienced golfers in the Chapter.

SOFIA

June 20

- Alumni met in the capital, where they are a growing group. The photograph sent by **Gonzalo Sanz** (PDD ’04) shows Sofia in the background.

GENEVA

June 20

- While top business leaders say that the road to success passes

through innovation, many managers have little idea how to develop innovation. Based on research carried out by Capgemini and the new book by Prof. **Paddy Miller**, which is due to be published in October, **Miller** discussed companies that have succeeded in inculcating innovation.

FRANKFURT

June 21

- The headquarters of Booz & Company in Frankfurt hosted the Continuous Education session on “Global Trends” given by Prof. **Adrian A. Done**. The session was based on his recent book “Global Trends: Facing Up to a Changing World”.

MEETINGS TO PROMOTE THE 51ST GLOBAL ALUMNI REUNION

The Global Alumni Reunion, a red-letter day in the alumni calendar, is drawing near. It will be held on November 1-3 and for the first time the venue is in Latin America, specifically in the Brazilian city of Sao Paulo. To this end, **Mireia Rius**, director of the Alumni Association, and **Sylvia Johansson**, also from the Alumni Association, are traveling with IESE professors who are leading Continuous Education sessions in Latin America where they will present "An Introduction to the IESE Alumni Summit and Invited Guests." The tour, which began in August, continues throughout September.

MIAMI

June 19

Small businesses are not attractive to many investors as they often appear to be risky investments. However, there is clear evidence that a portfolio of small businesses can often be a better investment than a handful of big ones. In the Continuous Education session titled "Size matters: How to Enhance Portfolio Returns," Prof. **Javier Estrada** looked at the extent of these differences and the degree of risk in different regions.

MEXICO CITY

June 20

Prof. **Marc Sachon** led the session "e-Mobility: pretention and reality" at the headquarters of IPADE in the Mexican capital. The conference looked at both the reality of e-Mobility and the road ahead. European governments are putting ever greater pressure on carmakers to produce low-emission vehicles. This pressure is forcing companies to innovate but also opens the door to others, until now outside the sector, that have experience in electric motors and batteries.

Mexico



SANTIAGO DE CHILE

June 26

Prof. **Eduardo Martínez Abascal** gave the talk "Latam is rising, Europa is in decline" in which he discussed the drivers of growth in Latin America and Europe and the errors of the latter that should be avoided.

SAO PAULO

June 28

"Brazil is rising, Europe is in decline," was the title of the Continuous Education session given by Prof. **Eduardo Martínez Abascal** on the different ways in which the crisis is affecting Europe and Brazil, a hypothetical end to the euro and the impact of European investment in Latin America.

BUENOS AIRES

July 4

The HQ of Seeliger and Conde Argentina in Buenos Aires hosted the Continuous Education session "Personal and professional time management" given by Prof. **Nuria Chinchilla** on how to make better use of the time available.

ZURICH

June 22

- The Switzerland Chapter organized a breakfast for alumni.

SANTA CLARA

June 22

- California alumni enjoyed an academic session at the HQ of Nexenta Systems in Santa Clara, where Prof. **Javier Zamora** moderated a session on "The Piazza Mixer: The Experience of a Successful Startup by its Protagonist," **Pooja Sankar**, founder of Piazza, an online meeting place where students can ask questions and explore topics about entrepreneurship guided by their instructor and one of the top Silicon Valley firms. Later, **Sunil Nagaraj**, of Bessemer Venture Partners, talked about what an investor seeks in a start-up and what made him believe in the Piazza project.

VIENNA

June 22

- **Markus Schwarz** (MBA '96) invited alumni from the Austria Chapter to an informal lunch in the company of **Rudolf Reppen**, director of IESE's Munich office.

MILAN

June 28

- Milan alumni met for the conference "Marketing 3.0: Diretto al cuore" given by Prof. **Xavier Oliver** in which he discussed current marketing strategies and the decline of advertising agencies and the potential for both companies and agencies to develop creativity.

SHANGHAI

June 30

- The IESE Family Reunion was held for the first time in Shang-

hai and included academic sessions given by Prof. **Pedro Nueno** and **Alberto Forchielli**, founder of Mandarin Capital Partners.

PARIS

July 3

- The France Chapter's traditional monthly Dîner du Premier Lundi was replaced by the IESE Alumni Cooking Lunch, a cookery course held at the L'Atelier des Chefs in Penthievre.

LEUSDEN

July 4

- The Netherlands Chapter held a summer barbecue at the home of **Maurice Meesters** (MBA '85) where **Agustín Vinelli** (MBA '03) prepared an Argentinian *asado*.

LISBON

July 12

- Europe is not only going through a financial crisis but also a crisis of management and leadership. As well as looking for economic and political solutions there are issues of organization and leadership that need to be addressed. In the session "Some lessons of leadership from the recent European financial crisis: Implications for business leaders" IESE Dean **Jordi Canals** discussed how companies have to change and if another approach can be taken to risk and investment decisions.

BEIRUT

July 16

- Beirut hosted a session of the Global CEO Program organized jointly with BMB, whose CEO, **Mitri Doumet**, took part, with **Carlos P. Hornstein**, executive director of business development at IESE, and Prof. **Joan Fontrodona**. "The relationship with IESE is of great benefit to the Lebanese business community BMB is proud to be involved," Doumet said.

YOU'RE IN THE NEWS

ARE YOU IN THE NEWS?

We are interested in all your latest news. Send your comments to revista@iese.edu

EMBA '02

Adolfo Favieres has been appointed managing director of Lapithus Servicing for Spain and Portugal.

G-EMBA '08

Fernando Martínez-Arribas is director of Sourcing Emerging Markets at Vestas Wind.

MBA '89

José María Torrens has been named president of the Alliance of International Corporate Advisors (AICA).

MBA '09

Albert de la Riva has been named director in Barcelona of Altair Management Consultants.



PADE-1-05 Imma Folch, founder and CEO of LF Channel, has been named president for EMEA of the international network

Worldcom PR Group.



PDG-II-79

Joaquín Vila-Bleda, president of EduClick, has announced the online sale of EPS/Grade products made

by the U.S. company eInstruction, a leader in interactive education systems.



PDG-II-94

Mario Velarde has been named head of Websense for Iberia.

PDG-A-04

The consultancy Entelgy has named **Francisco Bautista** corporate director for Latin America.

PDG-A-09

Fernando Morales has moved to Dubai to take up a post as head of legal for Middle East & Southern Europe at Philips.

PDG-B-09

Leopoldo Boado has been named country leader at Oracle Spain.

ENTREPRENEUR

PDD-E-08

Emiliano Sacristán has founded a new headhunting firm, Prinzipal Partners within the Swiss group Friisberg. He is a partner in the company that specializes in executive search.

ST/MBA '04

José Manuel García has set up binaurality.com which is developing a new methodology for language learning that focuses on teaching skills for understanding.

12 QUESTIONS TO RESOLVE IN SAO PAULO

It's a meeting that every year brings together more than 1,000 executives and business people from all over the world for three days, six sessions and more than 25 speakers. Are you going to miss it? There are many reasons to attend the Global Alumni Reunion. Here are some of them.

1 How to invest in Brazil?

Any global business must come to understand this Latin American giant. International expansion that doesn't take into account Brazil as a priority is not a good exercise in strategy. However, its attractions are not without risks. It is a complex and competitive market, with big companies and excellent executives, as well as rigid and complicated legislation. In the workshop "Venture capital investment in Brazil," **Eric Acher**, founder and partner of Monashees Capital, **Roberto Giannetti**, CEO of Kaduna Consulting and **Pedro Vasconcellos**, managing director of Bertelsmann Brazil, discuss the keys to investing in Brazil.

2 How to find and manage talent in Latin America?

There is a growing demand for executive talent in Latin America in general and Brazil in particular. It is an expanding market that requires more qualified professionals than it can produce. **Anjaney Borwankar**, managing director of Catenon Worldwide Executive Search Asia and **Iñaki Saltor Camero**, managing director of Catenon Brazil, discuss this in the workshop "Global talent: current situation, the challenges of attracting and retaining."

3 How to achieve excellent management?

For a country to develop socially and economically it needs top-class management. At the same time, it's important to establish precedents to improve the existing and future business environment. **Jairo Martins da Silva**, managing director of FNQ, and **Iêda A. Patrício Novais**,

corporate director of KPMG Brazil, discuss the topic in the workshop "Excellence in business management."

4 What are the entrepreneurial opportunities for private social investment?

In the workshop "Entrepreneurship in private social investment" **Leonardo Letelier**, CEO and founder of Sitawi, and **Antonio Moraes**, co-founder and partner of Vox Capital, look at the extent, challenges and difficulties facing social investors who wish to supply services, support projects and promote social development through private initiatives.

5 What is required to create a good working environment?

A good workplace environment is an essential factor in guaranteeing productivity and the overall success of a business. The topic is reviewed in the workshop "Building an excellent work environment: the essential foundation for businesses and individuals," led by **Ruy Shiozawa**, CEO of Great Place to Work Brazil and **Ricardo Loureiro**, president of Serasa Experian.

6 What entrepreneurial opportunities are there?

The keys for finding business opportunities and launching new projects in fast-growing economies such as Brazil are dealt with in the workshop "Entrepreneurship and private social investment" with **Antonio Moraes**, co-founder and partner of Vox Capital and **Leonardo Letelier**, CEO and founder of Sitawi.

7 What lessons can we learn from the 2008 financial crisis?

Senior executives from the world of banking investments such as **Miguel Jorge**, the former industry and foreign trade minister of Brazil, IESE Prof. **José Manuel González-Páramo** and **Guilherme de Nóbrega**, chief economist at Itaú BBA, moderated by IESE Prof. **Pedro Videla** make up the panel "Growth and economic crisis in a wider world."

8 How can a city get the most from hosting the Olympic Games?

The London Olympic games cost approximately \$15 billion of public money, while companies contributed hundreds of millions in sponsorship. Looking ahead to the next games

in Rio the panel will discuss this topic in “Boosting a country’s future with iconic events,” moderated by the ISE Prof. **Paulo Ferreira** and some key future players: **Gerhard Heiberg**, member of the Executive Board and chairman of the Marketing Commission of the IOC; **Xavier Trias**, the mayor of Barcelona and **Eduardo Paes**, the mayor of Rio de Janeiro which will host the next football World Cup in 2014 and the next Olympic Games in 2016.

9 How to introduce scientific and technological innovations into healthcare?

Many scientific and technological revolutions in healthcare have not translated into an improvement in the quality of life because of the lack of leadership in managing the implementation. The speakers in this session “Charting scientific leadership and innovation for an improved quality of life” are three authorities in the world of science who will be sharing their experience: **Giovanni Cerri**, secretary of health of Sao Paulo and **Lluís Donoso**, director of the Diagnostic Imaging Center at Hospital Clínic in Barcelona. This session will be moderated by IESE professor **Núria Mas**.

10 What is the future of the media?

Innovation and technological evolution and revolution and the search for new business models have dominated the media during the past decade. Executives from the principal media groups in Latin America and from communication technology companies will take part in the panel “Connecting technology, strategy and business models,” led by **Santiago Fernández Valbuena**, CEO of Telefónica Latin America, **Francisco Mesquita**, CEO of Grupo Estado, **Jorge Nóbrega**, corporate vice president of Organizações Globo and **Eduardo Ricotta**, vice president of Ericsson Latin America.

11 How to balance energy resources, efficiency and the environment with aging infrastructures?

Key sectors for achieving economic success are energy and infrastructures. The panel will discuss the current and future situation in the “Powering the future: Invest-

ing in infrastructures in a connected world.” Representatives of companies such as **Salvador Alemany**, president of Abertis, **Paulo Ricardo Stark**, CEO of Siemens Brazil and **Sergi Aranda**, managing director for Latin America of Gas Natural Fenosa and. The session will be moderated by IESE Prof. **Eduardo Martínez Abascal**.

12 How can family businesses take advantage of the opportunities in the global market?

The Grupo Bimbo had sales of around \$11 billion in 2011, more than half of abroad. The same year, Ambev, the biggest brewery in Latin America and fifth in the world, had an income of more than \$15 billion with operations in 14 countries in America. The opportunities for family businesses in a globalized world will be discussed in the panel “Charting connectedness across borders, leveraging global business opportunities,” led by **Daniel Servitje**, CEO of Grupo Bimbo, **Stanley Motta**, president of Copa Holdings (and a member of IESE’s IAB), and **Kees Storm**, chairman of AB InBev (Anheuser Bush InBev). The session will be moderated by IESE Prof. **Pankaj Ghemawat**.

The countdown has begun for the next Global Alumni Reunion (GAR). It will consist of three days of an intense academic program and networking in the course of which you are sure to find answers to these 12 questions and many others that you want to ask.

CHARTING PATHS IN A WIDER WORLD

IESE GLOBAL ALUMNI REUNION

SAO PAULO 2012

NOVEMBER 1-3

MORE INFORMATION:
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Power Hand in Hand With Imagination



MIGUEL A. ARIÑO

Professor of Managing People
in Organizations

I read recently that Google continues to pay the families of deceased employees their salaries for 10 years after their death. Furthermore, their children receive a check for \$1,000 a month until they reach the age of 19 or, if they go to university, until they're 23.

Power hand in hand with imagination! How must Google employees feel? Would they choose to work elsewhere? These seem to me business practices that ensure an employee feels proud to work for a company. Others might put their head in their hands and say this is spendthrift, that employees are paid a salary and it's not for companies to shower gifts on them. I totally agree that it's not the job of companies to hand out gifts. But this is not spendthrift. I know of excellent companies whose employees are four times more productive than the average. That is, they do as much work with a quarter of the staff. How can this be? A person who goes to work happy every day is an employee who is more productive.

I read that Mercadona allows its pregnant employees to go home 12 weeks before their due date, after which they are entitled to 16 weeks of maternity leave. I'm not sure if this is the case, but someone who works for the company could confirm or deny it. In any case, these practices help to make companies more human working environments and in this manner we can humanize the business world (which doesn't mean not demanding professionalism from employees).

There are many ways that executives can make the workplace more stimulating. Power hand in hand with imagination! If you're a senior executive in a large firm you can define company policy, and if you're the head of a small department with a small staff you can either make their workplace more attractive or else somewhere where they just long for five o'clock to come around.

MORE INFORMATION:
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